

Know thy banker and you'll be a happy leader

The secrets of firms that are able to keep healthy banking relationships, even in a recession.

The issue of banking relationships in the A/E world has been fodder for debate over the last two years during the worst recession since the Great Depression in the 1930s.

> Finance

Successful firms have perished when their bankers decided to pull the plug, leaving many others to wonder how safe their credit line really is.

Contrary to the old saying, in this case putting all (or most) eggs in one basket makes the most sense. Also, developing a strong, personal, and proactive connection with your banker is essential.

"When we are looking at a new business venture, we look to our bank for input, not just for loan terms."

"Strong bank relationships need to be developed long before economic downturns," says Brenda Nichols, chief financial officer at **Larson Design Group** (WilliamSPORT, PA), a 215-person architecture firm, and number 46 on *The Zweig Letter* 2010 Hot Firm List.

The story of how **HKS** (Dallas, TX), one of the world's leading architecture firms, has consolidated its banking relationships during the recession is a good example of the "one basket" strategy being adopted by many design firms.

Early in 2008, the 850-person firm had several bank accounts around Dallas.

"We had our major operations account with one bank, a payroll account with another bank, and a letter of credit account supported by CDs in another local bank," as well as accounts in countries where the firm has operations, says President and CEO Ralph Hawkins.

"As we began to see the economy become a little more unstable in mid-2008, we decided to consolidate most of our accounts with one major bank," Hawkins says, with the choice falling on

a U.S. bank with a strong international presence.



Ralph Hawkins,
CEO,
HKS

"This consolidated our operations account, our payroll account, our letter of credit account, and the three international accounts all in one bank," Hawkins says. "It made us a bigger customer than we were previously with multiple accounts.

"As a result, when the recession hit in late 2008, we were fortunate to have built a great relationship with our bank that actually saved us money with the larger accounts for several of our banking relationships. As I look back today, we seemed a lot smarter than we actually were. We have a great relationship with our new bank—direct communication to the president of the Dallas bank along with our service-oriented bank officer. They have committed to serving us in all our banking needs during these stressful times," he says.

Going beyond the minimum

Firm leaders are unanimous when it comes to the importance of keeping their bank abreast of business conditions, with solid reporting vehicles in place and plenty of face time.

"LDG provides prompt financial reporting monthly," Nichols says. "When we are looking at a new business venture, we look to our bank for input, not just for loan terms. Similarly, they use us as a source of information about the local economy and what we see developing. We have requested and received an increase in our line of credit each of the last three years even though the immediate need did not exist."

Chris Hillmann, president and CEO of **Hillmann Environmental Group, LLC** (Union, NJ), a 95-person environmental consulting firm, says he goes as far as "delivering statements and personal returns without being asked" and "clean-

ing up" accounts receivable annually.

"I meet with my banker face to face every month," says Steve Probst, president and CEO of **Sage Environmental Consulting, LP** (Austin, TX), a 120-person environmental consulting firm. "We are only required to give quarterly updates, but I make sure that we get to have meetings that do not involve document transfers—just a friendly exchange. I am also trying to get him to a Cowboys game—we will see if that works out."

Don't forget the essentials—like choosing a good bank

"We are with the Bank of Marin, which has a five-star rating, and have been in close contact with them every month to ensure that our relationship is in good standing," says Basil Falcone, president of **EnviroNova** (Novato, CA), an eight-person environmental and safety management firm. "Our bank is not tied to the consumer credit market or mortgages and we have checked up on their rating. They are focused on local small to medium businesses and have the best customer service I have found with any bank."



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Hillmann heard directly from his banker during a golf game this summer that "there are so many medium-sized businesses out there that show minimal profits year after year yet the owners have big yachts and large vacation houses. They pull out all the cash and have minimal retained earnings. Their balance sheets are weak because they aren't showing their real profits. Then, they wonder why they can't get a loan in leaner times."

"Companies that consistently reinvest in their business and pay attention to their balance sheet have no problem getting loans even if they report minimal profits and flat or shrinking revenue," Hillmann says. "They are poised to come back with the economy. Underwriters love businesses that man-up and show profits." ■