



Building a Banking Relationship

Opening the Lines of Communication

"It's about really taking the time to get to know the banker as well as giving the banker the opportunity to get to know you and your business ... It starts with being open about both the opportunities and successes the company has had, as well as some of the challenges."

— Anna Colton, National Sales Executive of Small Business Banking at Bank of America¹

When you think you have a great idea for growing your business and you know that you'll need additional funds to make it happen, it's a good time to turn to your banker as a first step. If you don't yet have a banker who knows you and your business, you may want to start thinking about networking and building a rapport with potential bankers. Even if you are interested in pursuing a type of equity capital, you still need your banker. Use the following techniques as a guide to practice beginning and strengthening these relationships.

Section 1: Relationship-Building Techniques

GOING OUT AND FINDING THEM

Banks and bankers are not always in plain sight, but tracking them down is the first step to establishing relationships with them.

- **Friendly to small business**—Look for banks that are small business friendly, and especially those whose banking services specialize in your particular industry. This can make it easier for your loan to get approved because the bank is already familiar with your business market and understands your credit risk.² How can you find them? The SBA publishes a quarterly list of the banks making the most SBA loans. Even if you are not pursuing an SBA loan guarantee, this will be a list of banks with more experience with small businesses. Then talk to the bankers about the types of businesses they fund most often. Talk to other business owners you know about their experiences, not only with banks, but with particular bankers.

- **Trusted advisors**—In addition to providing funding, banks can be trusted advisors as you grow your business.³ Check the bank’s website to see if they offer advising sessions, or even a particular program targeted to women business owners.
- **Financial products and services**—Explore what other financial products or services they may offer that would be an advantage to your business.

PREPARATION IS KEY

To get your point across to bankers, take some time to prepare beforehand by thinking about:

- **Speaking their language**—Even if you feel as cool as a cucumber speaking in front of an audience, you might feel less comfortable making a proposal to a banker. With the help of a coach or peer mentor with capital experience, you can learn more about how to speak their language.⁴ Speaking the language of finance is critically important.
- **Possible concerns**—Also ask your coach or mentor to think about possible concerns in advance, so that you can make a strong case for what you’re seeking for your business.⁵
- **Business plan**—Develop a concise business plan outlining the growth opportunity and financial projections to show bankers and investors your idea is viable.⁶ Include in your plan the exact amount of funding you need and how you will use it to make your growth initiative a success. Be sure to remember to pitch yourself as the person who can make this happen. For more information on crafting and delivering a funding pitch, visit the *Funding Pitches* excursion.
- **Elevator pitch**—In addition to a funding pitch, you may want to create an elevator pitch, a quick summary of your growth idea that you could deliver in 60 seconds or less to grab the banker or investor’s attention. This works well when you run into a banker at any type of community meeting. And remember, planning that encounter at a community meeting is part of planning your networking strategy.

GETTING TO KNOW THEM

Sit down with your banker to get a working relationship started that will grow over time.

- **Values**—Learn a little bit about your banker before meeting with them by looking at their professional profile online. Think about what their values might be and what issues might be important to them.⁷
- **Common ground**—Early in a conversation, look for areas you agree on to build a foundation of positivity and cooperation.⁸
- **Expertise**—Approach the conversation aware of the expertise, insight, and connections that this person can offer to your business.
- **Trust**—Because this relationship will be ongoing, keep the long-term in mind when you interact with them. Aim to earn the trust of the other person through your honesty and interpersonal skills.⁹

ARE THEY A FIT FOR YOUR BUSINESS?

Figuring out if a banker is the right person to help finance your business involves your best negotiation skills.¹⁰

- **Interest**—Understanding the root cause of your banker’s position can help you come to a better agreement. At the end of the day, a bank wants your regular monthly payments—with this in mind, you can plan how to best communicate to them that they are likely to receive them.
- **“Win-win”**—Shoot for a “win-win” agreement that will meet the needs of both you and the other party.

Section 2: Summary—Make a Plan

You don’t have to wait until you need capital for growing your business to get to know bankers. In fact, starting early can be a big advantage for your business. Use the following action steps to begin your search for the right banking relationship for your business today:

1. Generate a list of banks and bankers to look into. Add to this list:

- Banks that make the most SBA loans (those with most experience working with small businesses)
- Banks that most commonly fund businesses like yours
- Bankers with knowledge or specialization in your industry
- Banks or bankers referred to you by other business owners you know

2. Research the banks on your list, paying special attention to areas like:

- Advising sessions or programs targeting women entrepreneurs they may offer
- Their financial products and services to see if they would benefit your business

3. Look in and outside of your network for potential coaches or peer mentors with capital experience.

- Reach out to them for help learning how to speak the language of finance more comfortably.

4. Develop a short business plan that includes:

- The growth opportunity
- Financial projections demonstrating that the growth opportunity is viable and that your business will be able to make regular monthly loan payments
- The exact amount of funding needed (and how it will be used to make the idea a success)
- Your role in making it all happen

5. Come up with a 60-second elevator pitch to quickly pique the interest of a banker in case you run into one at a meeting in the community.

- Rehearse your elevator pitch so you feel comfortable delivering it whenever you get the opportunity.

6. Contact banks to set up a meeting with bankers that fit your criteria.

- Research the individuals you plan to meet with online to get an idea of their interests, values and areas of expertise.

Conclusion:

Get started building a productive relationship with potential bankers to support you as you take your business in new directions.

¹ Chuck Doran & Megan Winkeler, *What Are Interests, and Why Do They Matter in Negotiations?*, MWI (June 23, 2017) <https://www.mwi.org/what-are-interests/> (accessed Feb. 25, 2019).

² Ibid.

³ Susan Solovic, *Professional Presentation Key to Attracting Investors*, U.S. Small Business Administration, <https://www.sba.gov/blogs/professional-presentation-key-attracting-investors> (accessed Feb. 25, 2019).

⁴ Elaine Pofeldt, *How Can I Prepare to Talk With My Banker About a Small Business Loan?*, (April 21, 2014), https://www.creditcards.com/credit-card-news/meet-banker-small_business_loan-1585.php (accessed Feb. 25, 2019).

⁵ Marco Carbajo, *5 Ways to Establish a Favorable Bank Rating for Your Small Business*, U.S. Small Business Administration (March 2, 2012), <https://www.sba.gov/blogs/5-ways-establish-favorable-bank-rating-your-small-business> (accessed Feb. 22, 2019).

⁶ Ibid.

⁷ Susan Solovic, *Professional Presentation Key to Attracting Investors*, U.S. Small Business Administration, <https://www.sba.gov/blogs/professional-presentation-key-attracting-investors> (accessed Feb. 25, 2019).

⁸ Eric Giltner, *Negotiating: How to Get a Better Deal for Your Business*, U.S. Small Business Administration, <https://www.sba.gov/offices/district/nd/fargo/resources/negotiating-how-get-better-deal-your-business> (accessed Feb. 22, 2019).

⁹ Ibid.

¹⁰ *Principles and Tactics of Negotiation*, 3(2) *Journal of Oncology Practice* 102 (2007), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793751/> (accessed Feb. 25, 2019).

¹¹ Ibid.

¹² Ibid.

¹³ Eric Giltner, *Negotiating: How to Get a Better Deal for Your Business*, U.S. Small Business Administration, <https://www.sba.gov/offices/district/nd/fargo/resources/negotiating-how-get-better-deal-your-business> (accessed Feb. 22, 2019).