

Need Money for a Business? Start at the Bank

Paul B. Brown

What is most refreshing about the article on the Small Business Administration's Web site called "The Benefits of Making Your Banker Your Friend" is that it is written from a real world perspective.

Consider the first paragraph:

"While every business has a bank, few have a banker. That's because bankers are too often seen as obstacles standing between an entrepreneur and the bank's vault."

But as the article is quick to point out, small businesses are not doing business with a building — the bank — they are working with people — the bankers. So forging a relationship is crucial.

The article says that having a good working partnership with a banker can result in a greater line of credit for the entrepreneur, lower fees and streamline paperwork (reducing the time it takes to get money).

So many small business owners have poor relationships with bankers or have no relationship at all, the article says, because they do not "understand the restraints and needs of bankers." The article goes on to offer suggestions to entrepreneurs, including these:

Understand that the banker is not an investor. Investors are willing to take risks because of the potential payoff. Bankers are not, because they do not have an ownership stake in the business. "Until the banker and entrepreneur speak on the same wavelength and understand each other's vantage point, a good relationship can't exist."

Communicate. As in all relationships, communication is crucial. Entrepreneurs should plan on checking in with their bankers at least quarterly.

Give good news and bad. "Nothing upsets a banker more than surprises," the article says. But when small business owners give the bad news, they should have a plan in place for how to correct the problem.

Realize "the adage 'it's better to give than to receive' is true with a banking relationship. Don't ask for favors at the beginning. First give the bank your business and even try to bring in other accounts, which will create goodwill you can capitalize on later."

ONE-STOP SHOPPING Not surprisingly, given the name of the magazine, Entrepreneur is particularly good at offering resources on financing.

It provides a list of the top 100 venture capital firms searchable by state and type of financing — early or late stage. One columnist, Asheesh Advani, offers start-up financing ideas, while a second columnist, Jim Casparie, writes about raising money in general.

20 QUESTIONS Entrepreneurs who want to make sure they have considered every possible source of financing should look at "20 Financing Approaches" at perfectbusiness.com, a Web site whose goal is to connect "entrepreneurs with the people and resources needed to start a business."

The article offers options ranging from selling personal assets to going public.

NEWBIE? If entrepreneurs are new to the whole idea of raising money, the aptly named "Business Owners Guide to Small Business Finance," can help.

Written by a former banker who is now a businessman, it covers the basics, beginning with start-up loans and lines of credit and provides a list of resources like books and software programs.

LAST CALL Of course, small business owners only need financing if they want their businesses to succeed.

For a list of worst practices, it is difficult to top the article written a couple of years ago by Susan Ward in the business section of about.com.

These are among our favorites: the security firm that requested customers update their records by filling out a form that asked for, among other things, complete credit card information, including number and expiration date, and the retail bookstore that closed for vacation right before Christmas.

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