



MAN IN THE MIRROR

Banks are well within their rights to refuse credit to your business, argues entrepreneur Alex Pratt, so don't go blaming the dog for the cashflow problems in your company

Let me put forward an alternative perspective about banks. I joined in the *schadenfreude* with which many of us greeted the collapse of Lehman Brothers, and I sense the incredulity and frustration we all now feel with the continuing exotic bonus culture. I wish I had a pound for every time I'd heard about outrageous bank behaviour, the loss of experienced managers, the spotty faced youths with no business acumen, the distant impersonal credit committees and the computer-led faceless assessment process. But, surely we protest too much, and it all smacks of a schoolboy excuse – blaming the dog for our missing homework.

TAKE RESPONSIBILITY

In the end, we can't shirk our responsibilities. There can surely be no one left who doesn't realise that running out of cash is fatal to every business, whatever size or sector. It is for this compelling reason that your relationship with your bank is so critical. It's not that their core business products and services are highly innovative, technologically advanced, or complex, so as to give you an edge, although they do often try and make them appear that way. It's simply that any restricted flow of the essential cash commodity they provide to the key parts of your business causes its health to rapidly deteriorate. And any sudden and complete blockage sounds the death knell.

Faced with such an omnipresent danger to the very existence of your business, we business leaders have no excuses and should never mess with the certainty of open supply lines of cash to the company. Why place your faith in someone you don't trust?

BEING SPOILT

Sadly, we've grown up at a time when access to debt was plentiful and the market was powered by an excess of supply over demand, causing an evermore

competitive lending environment to develop. And we have all taken access to debt for granted. This has now turned on its head and we need to relearn the difference between a human right and an agreement to supply.

We've all been there. Who is not indignant at being refused a retail store credit card? "How dare they turn

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me down!” Too many of us still imagine that banks owe us their money. Not enough of us remember that, until very recently, there was no compulsion at all on banks to lend. A loan is simply an agreement to supply, just like any other supplier to the business.

The problem particular to banking is that not only is the supply of acute importance, but there is little true competition to speak of. Metro is the first new retail bank to appear for a century, while the 4,000 building societies to which we used to have access have shrunk to around 50. And this at a time when our more knowledge-based economy needs innovation in lending practices to, for example, lend against our intellectual property assets as readily as traditional bricks and mortar.

So, whether your bank is inept, slow, unresponsive and run by a bunch of 12-year-olds on an iPad from their bedrooms or not, you cannot allow yourself to depend on any single mission-critical supplier, especially for your money supply. So if the bank pulls the rug out from under you, take a long, hard look in the mirror. If you were such a good bet, more than one bank should have been interested in you. If not, your bank was doing you a favour it could no longer afford. ■

About the author

Alex Pratt OBE has been running businesses since he was 16, when he traded bankrupt stock. More recently his company, Serious Brands, manufactures the reading lamps used on-board spaceships. He is also author of Austerity Business – 39 Tips for Doing More with Less, which was published in April 2010.

Pratt has been variously involved with the government's enterprise initiatives, including the old DTI's International Innovation Unit, chairing the National Assessment Panel for Business Support, and as director of the South East of England Regional Development Agency. He is chairman of the National Enterprise Academy in the South East of England and speaks regularly on innovation, entrepreneurship and leadership.