

# Coming out ahead

Insights into how successful companies are handling the crisis

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**I**n September, JPMorgan Chase & Co. raised \$11.5 billion in 24 hours in the wake of Lehman Brothers Holdings Inc.'s bankruptcy filing, which had sent Wall Street financial stocks into a tailspin.

A few weeks later, Wells Fargo & Co. struggled, but was eventually successful in getting money to finance a \$15 billion acquisition of Wachovia.

It's a tale of a credit market that shifts almost at will from liquidity to volatility. Left in the lurch are the owners of small and midsized businesses who rely on credit for the working capital to keep their doors open.



**Hyche**  
Level 5 LLC

"We are looking at our banking relationships to make sure the folks behind us are actually substantive folks and make sure all of our eggs are not in any one basket," said John Hyche, principal for strategic consulting at Level 5 LLC, an Atlanta-based consultant for financial institutions. "You want a backup and we are trying to

make sure our relationships are going to be there if we need them."

The company is also tightening its belt, closely watching expenses and working to accelerate revenue during a down economy, but the fluctuations and uncertainty in the credit markets also mean they spend time scrutinizing their banking relationships. In turn, the financial institutions



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supporting Level 5 are also taking a harder look at the company before they approve a loan or line of credit. "The bankers are really interested in talking with me and making sure I'm on the program and the guarantee behind the debt is solid," Hyche said.

At the Private Bank of Buckhead, loan requests are seeing an uptick while the bank has had to make adjustments to its usual sources of working

capital, said Charlie Crawford, the bank's president and CEO. Earlier this summer, bank-to-bank borrowing costs increased, though it has dropped some as the federal government's Troubled Asset Relief Program has kicked in, he said.

"We have made some adjustments," Crawford said. "We've set up additional lines of credit with other sources. One of the things we do is to

➤ See **COMING OUT AHEAD, 4B**

## Coming out ahead

Continued from 1B

manage the bank's liquidity position to make sure we have several sources."



**Crawford**  
Private Bank  
of Buckhead

But the tightening of the credit market is also providing an upside for the Private Bank. Started just two years ago, it has avoided much of the real estate-related loans that crippled other financial institutions, and therefore is well-positioned to

gain clients as other banks falter.

"A lot of the issues right now in the portfolios in banks around the city are loans that perhaps were made three or four years ago in a residential sector that has turned down very quickly. Other banks have called and referred

their clients to us because they are out of capacity to lend new money," Crawford said.

Among the bank's clients, the credit market crunch is affecting retail outlets and firms related to the housing industry, such as cabinet-makers.

Other client sectors are staffing up, including law firms that handle bankruptcies, to deal with the economic fallout.

"We are losing jobs here in Atlanta and that doesn't feel good. It means our banks and our clients need to hunker down and be prepared for the economy to shrink or not grow," he said. "You have to be efficient in your current business model to maintain profitability."

But small and midsized companies struggling to maintain working capital share the blame along with reluctant lenders and tight credit markets, said Mike Gomez, president of Decatur-based Allegro Consulting Inc.

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## How to navigate a credit crunch

- ▶ Build relationships with financial institutions before you need them.
- ▶ Have a sound strategic plan with benchmarks you've achieved to show to banks. Put in place diverse sources of capital to maintain the firm's liquidity and smooth over blips in cash flow.
- ▶ Tighten your belt, scrutinize expenses and accelerate revenues where possible.
- ▶ Tweak your business plan to take advantage of opportunities that may surface among struggling competitors.

"Before you need financing, you need to start as a CEO reaching out to different financial institutions and establish a relationship," Gomez said.

In fact, No. 6 on his list of 10 essential elements to achieving long-term, sustained growth is retaining a good chief financial officer and building relationships with financial institutions before you need them. He said it's a critical step that most small and midsized businesses miss.

"If someone walked up to you that you didn't know and said they wanted money, how would you deal with them?"

Compare that to how you would deal with someone you have known, who seems responsible and knows how to articulate a game plan," Gomez said.

Level 5 is in a growth mode but, thanks to the credit market crunch, the firm is more cautious about how it funds that growth, Hyche said.

"Instead of looking at a very distant horizon, we are mulling a horizon a little closer and moving more tactically over the next six months to make sure the cash flow is indeed supporting the growth aspiration," he said.