FINANCIAL CRISIS: ITS EFFECT ON EXISTING BANK-SME RELATIONSHIPS

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Purpose: The value of relationship building is well documented in the literature, where a number of benefits seem to accrue for both interacting parties. This is also the case for Bank-SME relationships. However, the recent financial crisis is expected to have a significant impact on the underlying dynamics of such relationships and as such, this paper models the expected effect and proposes a number of recommendations to reduce the crisis potential effect.

Approach: The paper utilises literature from both banking and finance and relational studies, on the basis of which a conceptual framework is developed and recommendations are proposed.

Findings: Some particular recommendations are discussed relating to various aspects of the relationship itself, including changes in the communication mode as well as changes relating to strategic aspects such as reformulating facets of HRM to enhance the relationship.

Originality/value: The paper addresses a hot topic, in both academic and managerial circles, and offers insights on both the expected effect of the recent crisis on Bank-SME relationships and on actual ways of dealing with the problem. To this end, it integrates different cross-functional management aspects and is therefore expected to be of interest to both academics and practitioners.

Keywords: Bank-SME Relationship, Financial crisis, Retention, Multipurpose teams

Paper classification: Conceptual Paper

INTRODUCTION

Business-to-business relationships unfold within a wider environment and from the interaction of two active parties (Hakansson, 1982; Moller and Halinen, 2000). Consequently, any change in this wider environment, such as the recent financial crisis, is expected to influence the underlying dynamics of existing relationships.

In particular, the banking crisis started by weak and un–uniformly spread regulation in risk management in the derivatives and housing markets. At the same time the lack of liquidity in refinancing deals and the default fear pushed towards a chain reaction in the system creating thus a global scale economic deterioration.

In order to redress the situation most banks looked for capital injection, bailouts or restructuring or selling off part of their units together with complementary redundancy schemes. But very few banks looked also inside their relationship with their customers to boost support to households and SMEs. Many banks reacted in different ways, some wanting to keep corporate customers and get rid of the subprime portfolio.

Hence, how has the recent financial crisis affected the market? There is a possible threefold approach:

1. It affected banks first, through both bankruptcy and liquidations

2. It made many industrial facilities bankrupt

3. It made a large number of SMEs and individuals bankrupt or redundant

Therefore, instead of increasing attention on SMEs as a means of coping with the crisis, the above changes resulted in increased pressure for both the financial institutions and their SME customers, which at many instances, endangered existing relationships. Given, however, the considerable value that exchange relationships can yield for the interacting parties, such an approach can be seen as detrimental to their long-term success.

Consequently, this paper aims to model the impact of the recent financial crisis on the relationship between banks and SMEs, with application to Cyprus and other Euro-Mediterranean countries and to propose a number of recommendations to reduce the potentially adverse effect of the crisis on the exchange relationship. This is largely driven by the acknowledgement of the centrality of exchange relationships on the long-term success of the interacting parties (Wilson, 1995; Christopher *et al*., 2002), where a plethora of benefits accrue for the dyad. In fact, banking is considered conducive to relationship development (Lovelock *et al.*, 1999), and relationship banking can yield considerable benefits for both the financial institution and the SME; benefits which are exemplified in the case of a financial crisis.

Specifically, on the bank's side, relationships ease the collection of customer information, help in understanding customers better and facilitate loyalty building. That is, reliable information on small and medium-sized enterprises (SMEs) is rare and costly for banks. To compensate for this, relationship banking is often considered as the appropriate lending technique (Baas and Schrooten, 2005). As such, holding a strong portfolio of SMEs can help in achieving scale and scope economies, ultimately enhancing long-term profitability (Reichheld and Sasser, 1990). This is why banks perceive SMEs as a core and strategic business and seem well positioned to expand their involvement with SMEs (de la Torre *et al.,* 2008).

On the other hand, for the SME which is more financially constrained than large firms (Schiffer and Weder, 2001; IADB, 2004; Beck *et al.,* 2005; Beck *et al.,* 2006) and hence, in a worse position to ask for financing during a financial crisis, a positive relationship with their financial institution can reduce perceived risk and uncertainty (Sheth and Parvartiyar, 1995) because the Bank-SME relationship will provide greater assurance that funding will be available even in times of duress (Holland, 1994).

As such, the objective of this paper is to identify the crisis' impact on the Bank-SME relationship and to propose ways to redress the crisis' negative effects - with application to Cyprus and other Euro-Mediterranean countries. To this end, the paper reviews and utilizes literature from two research areas: relational studies and banking theory and finance, and draws a conceptual framework which maps the effect of the recent financial crisis on existing Bank-SME relationships. In conclusion, the paper discusses a number of recommendations, which can potentially reduce the crisis' adverse effect on existing Bank-SME relationships.

LITERATURE REVIEW - CONCEPTUAL FRAMEWORK

The recent financial crisis is postulated to have a profound effect on the interaction pattern of existing Bank-SME relationships, and as such, our conceptual framework models this effect.

The present section discusses the literature employed in designing the conceptual framework. It is divided in three areas: the first explains the potential effect of the crisis on the interaction environment and on each of the interaction parties in isolation, the second maps the effect that the financial crisis creates for the interacting dyad and the section concludes with a discussion of the effect on existing Bank-SME relationships.

Exchange relationships are seen to develop within a wider **environment** (Hakansson, 1982, Kumar and Nti, 1998). In the proposed framework, the environment is conceptualised to include such aspects as Culture, the Economic environment, the Legal and Regulatory framework (e.g. Central Bank regulations) and the Technological environment (Ioannou and Zolkiewski, 2007). As such, the recent financial crisis has reshaped the environment within which Bank-SME relationships develop and is, therefore, expected to have influenced the underlying dynamics of the particular relationships. Specifically, it is suggested that environmental changes have affected both parties of the dyad. The extent that the crisis has affected each party is as follows:

The crisis' influence on the **bank** is subject to a number of parameters, such as the philosophy and strategy of the bank, the structure of the institution as well as its financial position. In particular, the underlying strategy of the financial institution and hence, the extent of its customer-orientation affect the pattern of interaction (Hakansson, 1982; Odekerken-Schroder *et al.*, 2003) and in periods of economic crisis they are expected to assume a vital role in reformulating the bank's policies.

Put differently, a *bank's philosophy and strategic planning* should grasp the relational concept and debate its medium to long-term strategies as well as the short-term tactics in applying it. This results in an improved relationship which leads to better financial positions and reputation, one of the most important traits in the service. Supporting this strategy, the new Relationship Management (RM) concept should be released towards all stakeholders, with strong emphasis to the employees. Such apprehension is an essential part of building personnel's knowledge and bank behaviour as well as strengthening the bank's mission and vision. In this line of thought, the so-called opaqueness of SMEs[145], becomes virtually redundant.

Within the umbrella of the bank's philosophy, one needs to also consider the Corporate Social Responsibility (CSR) of the financial institution. Some may look at CSR as "the policy and practice of a corporation's social involvement over and beyond its legal obligations for the benefit of the society at large" (Enderle and Tavis, 1998), while others (Lerner and Fryxell, 1988) suggest that CSR describes the extent to which organizational outcomes are consistent with societal values and expectations. But for simpler people and for the retail business, as an extension, being socially responsible identifies very much with the rationale that businesses are more likely to do well in a prosperous society rather than in a crisis affected one (McIntosh et al., 1998).

There are so many words associated to or replacing CSR, such as: corporate philanthropy, social disclosure, company's environmental record, workforce diversity, financial health and tendency to grow, community involvement, ethical lending, all depending on cross-cultural differences. What it is interesting is that when defining CSR as 'financial health and tendency to grow', Stanwick and Stanwick (1998) provide evidence that profitability of the firm encourages managers to implement programs that enhance the level of CSR.

Apart from the value-significance perspective, the financial perspective is not sufficient to evaluate the level of neither CSR nor any other perspective individually. A company may have outstanding employee benefits but if they go into financial distress, those benefits become null. Instead, strong banks are alleged as more pro-social as they can offer employees more advancement chances (Fombrun, 1998). Considering this normative facet of CSR, it becomes obvious that this concept is of 'no single value state' (Frederick, 1991) in bank RM as well. Moreover, it becomes redundant to consider it a cause or an effect of failing relationship management within financial crises. It could, however, be suggested that during a financial crisis banks have a 'moral and social obligation' to support SMEs, since SMEs provide the highest employment level and uphold economic well-being. Therefore, under times of duress, an important aspect of their CSR is the need to nurture Bank-SME relationships.

Further, the crisis effect on the bank is conditioned by its shareholder base. Mergers and Acquisitions have played an active role within the banking market during the past years. For instance, in the Cypriot banking market most banks have a large business exposure to CEE and SEE, hence they work with these markets' local SMEs, and the cultural factor becomes an important ingredient to success. At SME level in Cyprus, there is still a high involvement of RM instead of an arm's length finance or of firm-like organization by market exchange.

Hughes et al. (2003) studying financial consolidation found elements of managerial entrenchment among banks with higher levels of insider ownership, more valuable growth opportunities, poorer financial performance, and smaller asset size. When managers are entrenched, acquisitions are associated with greater inefficiency. For example, following the M&A of Marfin Popular Bank (MPB), it is relocating post-merger its headquarters, downsizing and rethinking its strategies in Cyprus to escape merger diversification (De Long, 2001) to compensate for efficiency loss. Thus teams' combinations do play a key role in keeping RM optimum with their clients, by allocating time and people to service.

Another efficiency model is the one of managerial utility maximization (Koetter, 2006) and the associated measure of risk-return efficiency developed in Hughes et al. (1996, 1999, 2000) of the measure of return efficiency with cost and profit efficiency and found that efficient banks using a low-risk investment strategy

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[145] *i.e. unstable economic feasibility – capacity to pay as well as un-appraisable willingness to pay- due to moral hazard.*

are less profitable, since they also expect lower profit. Then, would the adventuring into higher risk bearing relationships with the SMEs, trigger higher risks-higher profit profile of the bank during financial crises?

On the other hand, the crisis' effect on the SME is seen as a function of the nature of the SME's business, its market share and customer composition, its financial position as well as its shareholder's base. Specifically, the economic crisis had a greater impact on certain industries (e.g. automotive, food and beverage, tourism, manufacturing, trading, chemicals & pharmaceuticals) and hence, those SMEs operating in the said markets may encounter bigger financial problems and may require more support from their financial institution. In turn, this affects their interaction with the banks, since on the one hand, they become riskier customers[146] but on the other, the SMEs expectations vis-à-vis bank performance may rise. In fact, existing literature suggests that small business customers are more relationship-focused than corporate customers (Istock, 1996 in Colgate and Lang, 2005) and hence, are more likely to expect the financial institution to reciprocate in periods of duress.

In addition, the economic crisis has had an effect on consumer behaviour, where a number of retail customers have either withdrawn from the usage of certain products or have switched to lower-priced alternatives. That is, the crisis' impact is distinct for different customers and thus, the profile of the *SMEs customers*, manifested in such ways as who the target market(s) is/are and the degree of customer loyalty (cf. Reichheld and Sasser, 1990) become critical variables. Consequently, coupled with the SMEs nature of business (i.e. type of products traded), the SMEs customer composition and market share have a significant effect on its operational performance and interaction pattern with the bank.

The factors outlined above, will ultimate shape the *financial position of the SME*. That is, the above parameters have a direct impact on the SMEs' operational performance and are likely to cause cash flow shortages. This would essentially translate into increased pressure on behalf of the SME for working capital on the one hand, and on the other, a higher perceived risk and uncertainty level for the bank.

Further, if the market is mature or emerging and if the bank went through M&A (e.g. MPB in Cyprus), then the RM can affect both the SMEs activity as well as the bank's structure and efficiency. In such a case, though, it proves interesting to deal with the following factors at the same time:

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[146] *Where the risk level of customers is a determinant attribute when the Cypriot banks assess SME customers (Ioannou and Zolkiewski, 2007).*

Factor/Connotation	Local SMEs	Foreign SMEs	Mature Markets vs. Emerging Markets
Fears of default	Strong	Strong	
Reactions to hard (financial) information	Weak	Strong	
Reactions to and soft (managerial or informal) information	Strong	Weak	
Industry independence degree	Weak	Strong	
Attitude change	Strong	Strong	
Opportunities and Threats impact	Medium	Medium	
What is the level of cultural compatibility/match?	Strong	Strong	
What is the level of adaptability?	Strong	Weak	
What is the response during financial crisis?	Strong	Strong	

TABLE 1. Factors and Connotations in RM approach to SMEs (authors' evaluation)

Consequently, at a first level, the financial crisis affects each of the interacting parties and, in turn, the above factors determine the effect that the crisis has on the dyadic interaction. Specifically, the Bank fears that the customer might not be in a position to promptly and consistently meet its financial obligations and may even eventually default; as such, the bank aims to secure itself. Therefore, the extent of pressure that may be exerted by the bank to the SME will depend upon:

1. The buying centre of the SME and the Bank employees

The interaction pattern of the dyad is conditioned by their characteristics (Hakansson, 1982). Specifically, the SME's management team and in particular the SME's buying centre on the one hand, and the capabilities and experience of the bank employee(s), on the other, influence the exchange procedure and the communication mode. That is, the profiles of the dyad affect both the content and the quality of the information exchanged (Wilson and Moller, 1998). This is a particularly important consideration since in turbulent periods communication assumes an even more important role in RM.

2. Interdependence and Power balance

These are also important elements in relationship development (Dwyer et al, 1987; Wilson, 1995). The conceptual framework postulates that the resulting power balance and interdependence amongst the interacting parties will be conditioned by (a) how important a particular SME is to the bank and (b) whether the bank is the sole financier of the particular SME. These parameters become especially important in periods of duress, where financial institutions could reassess the value of their customers.

In other words, the *SME's profile*, including such aspects as soft elements, cash flow, risk assessment/credit scoring and group affiliation, determine, to a great extent, the attractiveness of the particular customer to the bank (Gronroos, 2000) and hence, the latter's willingness to maintain the relationship.

Specifically, customer creditworthiness is key in any kind of transaction with SMEs. Most of the time, the credit scoring becomes a strong instrument in assessing it. Yet, there are many pitfalls that can show in many mature markets, even companies that look great on paper, but which are a "nightmare" in reality, due to their group affiliation or else. Much information does not reside in the shareholding structure, but in the "supply-side" partners. Other deficiencies often relate to rating SMEs as per Basel II Accord when calculating the bank's capital adequacy ratio as per the Standardised Approach. This method, mostly used by smaller banks, allows the bank have their customers rated by international rating agencies. These agencies cannot yet mark to market their clients while having different valuation methods for default

probability. Here is when the banks start the "rating shopping", should the SME be a strategic target of the bank (Mihai-Yiannaki, 2009).

Moreover, the attractiveness of the SME to the bank is influenced by the *industry* in which the *SME operates*. In terms of risk diversification, the bank may try to get customers outside its areas of concentrated exposure (either geographical or industrial or transaction related). Yet, there are cases where concentration on temporary healthy business is recommended rather than on diversified losers, even it contradicts some local legislations.

The power balance and interdependence level is also affected by whether the *bank is the sole financier* of the SME or not. Where the SME patronises more than one bank, its comparison level of alternatives[147], CLalt, (cf. Hakansson, 1982; Anderson and Narus, 1984) may be higher than that of other SMEs which bank only with one institution. Consequently, perceived switching and termination costs (cf. Jackson, 1985) may be greater for SMEs that have a single financier. Thus, on the whole, as Anderson and Narus (1984) suggest, the CLalt has an impact on Power/Dependence.

Conversely, the bank may value more an SME which patronises it on an exclusive basis, and the bank would be more committed in maintaining the particular relationship. Therefore, in periods of duress the bank's attitude and behaviour may be more favourable for its exclusive SMEs customers.

1. The type of the existing relationship

Blois (1998) stresses that what matters is not whether an exchange relationship exists, but what form that relationship takes. In fact, a number of academics (see for example Turnbull *et al.*, 1996; Wilkinson and Young, 1998), argue that there are different relationships in different situations and thus, it is important to understand the form that the relationship assumes in each situation. The conceptual framework postulates that the financial crisis can affect the existing form of the relationship; in effect, existing Bank-SME relationships may reshape as a consequence of changes in their underlying dynamics. Specifically, changes in the adaptation level and in the increasing need for communication between the dyad, affect relationship variables [148].

The effect on the existing Bank-SME relationship may emanate from the bank's fears of customer default and the pressing need to further secure itself. As such, the bank may engage in one or a combination of the following:

(a) The bank may either impose more rigorous lending terms and conditions or may impose lending restrictions; either way making it more difficult for the SME to borrow funds. However, given the possible liquidity problems of SMEs during such periods, this may undermine relational efforts.

(b) The bank may require more securities, so as to further decrease its exposure. This may be perceived by the SME as a sign of lack of trust on behalf of the bank, which adversely influences their relationship.

(c) The bank may also pressurise SMEs for savings, which may serve both in improving the bank's liquidity and in reducing its exposure. Again, such an action may negatively impact the existing relationship.

(d) Increased pricing at periods of duress: Financial deterioration has had an impact on the asset quality of many European Banks, while their interest income has been hurt by falling interest rates set off by the European Central Bank.

Specifically, Baas and Schrooten (2005) show that lack of reliable information leads to comparably high interest rates even in the long-term relationship between borrower

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[147] *Defined as a standard which represents the quality of outcomes available from the best available relationship partner (Thibault and Kelley, 1959).*

[148] *Relationship variables influence success or failure of relationships (Anderson and Narus, 1984; Anderson and Weitz, 1990; Wilson and Moller, 1991; Morgan and Hunt, 1994).*

and bank. This is also one of the short-term tactics utilized by Cypriot banks during the financial crisis. The reason is retaining larger, more important corporate clients in the detriment of potentially financially distressed SMEs. Here, the banks will reduce their dependencies to potential losses in favour of getting exposure to corporations. At their turn, those corporations depend on SME's activities, yet the latter's bargaining power diminishes during financial crises. What we experience then, is a negative chain reaction at the liquidity level: banks reduce SMEs financing, but keep financing corporations, which ousts from the market many SMEs putting them in financial distress, while themselves cannot cope with the demand drop in the market. The outcome is twofold: either both the banks and corporations get bailout by government, or everyone is drifting away.

Consequently, communication becomes integral, where the bank needs to clearly and sincerely explain to the SME the underlying changes in their relationship. Hence, a further relationship dimension, i.e. openness, becomes critical. In fact the importance of openness in a business-to-business banking context has been revealed by the work of Moriarty *et al.* (1983) and its importance is enhanced in periods of duress.

Moreover, the outlined changes may essentially alter the adaptation level in the relationship. Adaptation is an instrumental factor in relationship building (Axelsson and Easton, 1992 cited in Zineldin and Jonsson, 2000), since "adaptations are the way in which a company shows that it can be trusted to respond to a counterpart's requirements" (Ford *et al.*, 1998) and signal that a supplier is willing to co-operate and make sacrifices. Even though there is as yet no generally accepted definition for adaptation (Brennan *et al.*, 2003), adaptation encompasses investment of tangible and intangible resources by both parties. Investment may be in the form of human resources, development of or alterations in goods/services, production processes and procedures or even investing in transaction-specific investments (Anderson and Narus, 1991). More specifically, in the present context, adaptations refer to such dimensions as flexibility, speed and understanding.

Ultimately, as Ford *et al.* (1998) and Zineldin and Jonsson (2000) suggest, adaptation affects trust and commitment. Trust is a gateway to a successful relationship (Wilson and Jantrania, 1996); it is the building block of a business-to-business relationship (Wilson, 1995) and it creates the conditions under which commitment develops (Wilson, 1995). Commitment, which is the most commonly used relationship determinant, is the enduring desire to maintain a valued relationship (Moorman *et al.*, 1992). Therefore, in view of the overriding role of trust and commitment in RM (Morgan and Hunt, 1994), it becomes vital to safeguard them, even in periods of economic distress. Failure to do so may prove detrimental to any relational efforts.
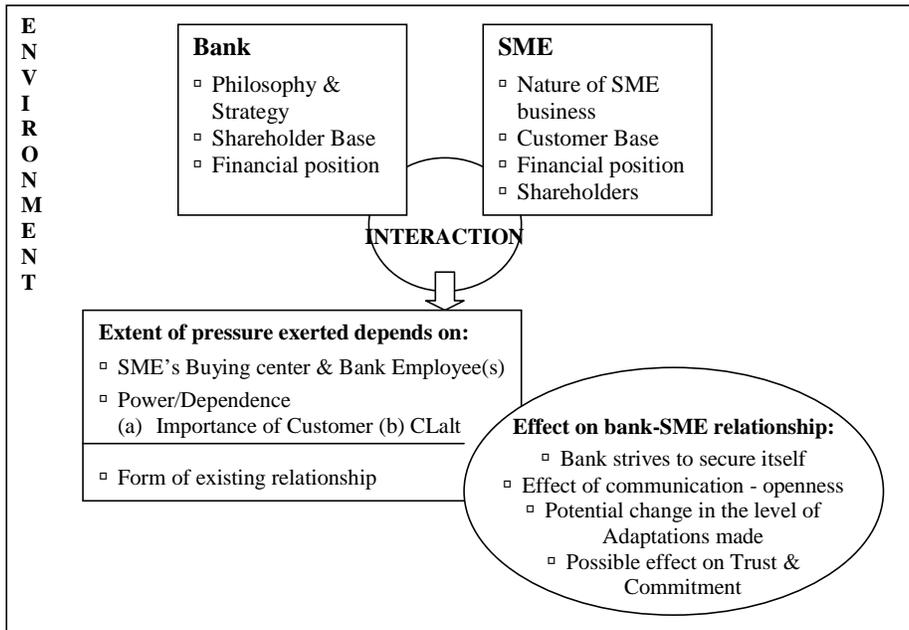
FIGURE 1: Conceptual Framework

RECOMMENDATIONS

The proposed conceptual framework suggests that the financial crisis can alter the underlying dynamics of the Bank-SME relationship. As such, a number of recommendations are discussed below, so as to ensure that the crisis' effect on the said relationships will be the lowest possible.

Firstly, upon specialized knowledge and job description it is possible to see the level of integration of the RM concept within the bank's top-down strategy and identify team and individual motivational tools for driving responsibility and sustainability in relationships with SMEs during the financial crisis. Then utilising HRM concepts, certain tools become key in improving RM:

- Maintain a professional attitude in line with the bank's strategy, i.e. keep the SME connected to the bank, recognize the SME's efforts during the financial crisis, put value to RM. This can be obtained through:

    i.   Bonuses, LTI (long-term incentive) and pay-to-performance

    ii. Build dedicated teams

    iii. Budget reorientation and constraints (creating the best team combination and allocating time in this respect)

- Client retention (through superior employee performance)

Bank Relationship matrix on PAY (employee)-PRICE (product) affects the relationship with the SMEs by improving the selection of companies according to optimum risk-taking appraisal. In such cases, inputs from teams can better evaluate not only risk but also the bank's behaviour towards the SME. In terms of compensation, during financial crisis, it is necessary to fit a more exceptional case rather than a threshold case:
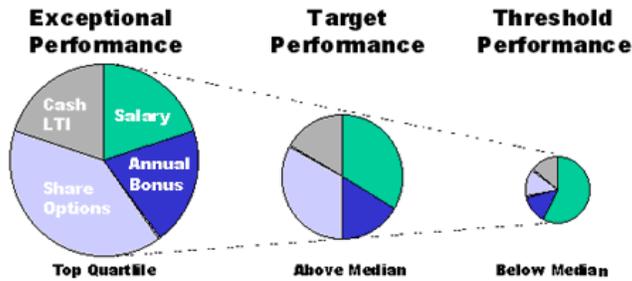
FIGURE 2: Market value measure Trends in shape, size and scope (Cornish and Dell, 2009)

We could analyze base salary; total cash compensation (TCC); total long-term incentive (LTI) values as well as a breakdown by vehicle; total direct compensation (TDC); LTI mix; and TDC mix. In the relationship with SMEs it becomes very difficult to extract the cost/income components in team works though. Such quantifications have improved results on the SME- bank relationship, profitability and durability. Yet, on a whole, the participating team must match the need for calibrating pay to performance, aiming at the top right quadrant.
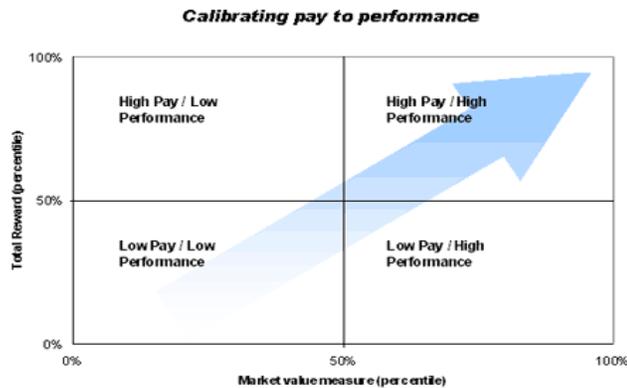

FIGURE 3: Calibrating pay to performance on RM objectives (Cornish and Dell, 2009)

The link between them is the high individual and team motivation. Hence, choice of performance measure is critical. If not thought through carefully, and "audited" regularly, an organisation may be paying the bonus but not rewarding the right business performance.

When considering risk taking as part of the pricing-efficiency model in the context of Bank-SME relationships, building a visible dedicated team to serve SMEs asks for a set of requirements.

Requirements for team assembly	Team key competences	Team minimum composition
Cross-knowledge of culture/language	Language development, behaviour analysis, case studies	Customer Service Desk Loan Officer
Information identification	Explore various information sources/channels	Treasurer
Inside information exchange	Build up trust	Risk Manger
Information processing/ synthesis	Staff training	Legal Officer

Information adaptation	HRM& IT departments involvement	Relationship Manager
Information selling to decision makers	Build up dedicated teams	IT specialist
Price- related information reflection	Standardisation vs. customization in pricing	

TABLE 2. Multipurpose teams serving SMEs

It is important to observe that having good clients makes getting much easier. Yet, clients that are not good enough can improve anytime, yet during financial crisis the chances for "bad" clients to get worse are higher, despite the fact that the market can bounce back.

Using confidential regulatory data on small, closely- held commercial banks, DeYoung et al. (2001) find that banks that hire a manager from outside the group of controlling shareholders perform better than those with owner-managers; however, this result depends on motivating the hired managers with sufficient holdings of stock. Higher levels of insider holdings lead to entrenchment and lower profitability.

Therefore, the bank needs to be proactive: it should educate the SMEs, understand their current situation, including analysing their zone of tolerance (Zeithaml and Bitner, 1996) as well as determining their propensity to default. That is, through the enhanced communication channels, the bank should establish whether, under the new regime, the SME has a positive, cooperative behaviour towards finding mutually beneficial solutions to enhance the relationship (Wilkinson and Young, 1998), or whether it is likely to behave in an opportunistic way (Williamson, 1985 in Zineldin, and Jonsson, 2000),

Put differently, for an RM success strategy in times of financial crisis, there are seven fundamentals of RM development: LEARNER

Leverage: leverage current SME clients to get new ones

Expand: Expand the products and services each client uses, but add and drop products and services in line with the portfolio strategy and keep reassessing clients constantly (client reshuffling).

Assets: Get all of your clients' assets

Retain: Retain your clients by providing extraordinary service

Niche: Develop your niche and natural markets and build a marketing process around them (an RM Tool)

Educate: Educate your client to work with you and the financial products and

Regulate: regulate at both an internal and external level your SME, i.e. create a control and supervision system within the SME department and share your experience with the regulators, the Central Banks.

Out of these fundamentals, one is key in times of financial crisis: Retention. Some general factors affecting customer retention are:

- Portfolio performance consistent with client goals and expectations - a certain degree of satisfaction that can be immediately measured and data stocked and interpreted in time. A combination of client education by the bank on such factors as performance and contact frequency or required level of relationship. Understanding goals and risk tolerance levels come prior to expectations and are key in a long-term RM. Then performance satisfaction depends on the allocation, diversification and a disciplined investment process. In the long run, a conservative approach will outperform a less-disciplined, aggressive investment approach.

- Frequent, proactive contact - not only the clients want to hear from you during this time, but they need your help in the sense of caring, appreciation and actual support. A minimum of two proactive contacts per month is recommended: one for information exchange and another for problem solution.

- Crisis communication tips: plan ahead, constant contact, consistency and engagement in each issue, fast response time, no rumours, total coordination.

- Effective problem resolution-based mainly on communication becomes the most important trait of RM. Any solution should be immediately be released to the client, while any delay should be regularly explained and followed through.

- A broad relationship - the higher the number of products held with the customer the higher the technical probability of client retention as a vote of confidence from the customer.

- Ensuring that the new relationship experience is positive - first impression always counts, not only in new client relationships about also in terms of new products offered to existing clients.

- Team work (specialized on product types, inside and outside from contact-communication and administrative issues, vertical or superstar structure (Mullen, 2008), junior and senior for a succession plan or a mixed team) or reach through someone else system.

- Final step to Client Associate Programmes - the SMEs can participate to the Bank client retention programmes. In this case, the SMEs benefit from large fee and interest rates reduction (based on their participation level to the Bank's client retention), while at the same time the bank can suggest possible clients/suppliers or partners to the SME in strengthening each others' business.

- Build-up upon the Bank's strategy, a RM Control and Supervision system (why, by whom, how often, where)

From the bank's view point, hard information (financial and market ratios analysis) offers a level of probability subsequent to default. For the bank, credit scoring plays an important role in predicting default. Nowadays, many banks incorporate in the internal credit rating, soft information that usually contributes 40-50% to assessing credit quality (Kornai 1980). Therefore, in many industries and cultures the soft information component prevails to hard information.

Most of the time these areas are associated to emerging markets, but touch mature markets due to globalization. Then, soft information is associated to default especially when the environment allows room for figures manipulations, the timing data procession or delaying procedures, technology or systems, hidden data and attitudes in payment, when there is no repeated relationship or transactions (exception Herstatt Bank case). Hence, often soft information substitutes rather then complements hard information, depending on the depth of the lending relationship.

Further, employees directly involved in RM, can benefit from rotational audit and supervision which could be utilised during financial crisis for reducing person dependency. At the same time the cultural aspect should be kept in mind. Change during financial crisis triggers insecurity, yet a frequent presence of a well-known figure could improve a sustainable rhythm of work.

These, as an outcome of the relational philosophy of the bank, can have a positive effect on key employee performance when dealing with grievances and difficulties that arise from the financial crisis.

In a nutschell, the measures suggested rely on strong commitment on behalf of the bank in nurturing its existing relationships as well as on behalf of the SME. In other words, it is the attitudes of the interacting parties that will determine the future course of their relationship.

CONCLUSION AND FUTURE RESEARCH

It is well documented in the literature that fostering customer relationships can result in the long-term success of an organisation (Wilson, 1995; Christopher et al, 2002). Nevertheless, the conceptual framework presented here, suggests that the recent financial crisis can adversely affect the existing bank-SME relationships: it undermines adaptation and may eventually hinder trust and commitment, two fundamental pillars of relationship building.

Consequently, in view of the above, the present paper discusses a number of recommendations so as to undermine the crisis's effect on the long-term success of such relationships. To this end, it is suggested that special emphasis is placed on the communication mode between the interacting dyad, i.e. communication channels should be improved. In addition, the recommendations draw from the very nature of services, where their unique characteristics (and especially inseparability) make employee performances critical. As such, in periods of crisis HRM becomes even more important, where employees are motivated to enhance performance and retain SMEs. Further, employees are expected to open the eyes and the ears so as to gather soft information on SMEs; this is key in evaluating SME viability. Moreover, the bank's structure and the design and availability of special programmes to help SMEs are important parameters, but it is recognised that existing bank regulation does not necessarily help SMEs.

On the whole, it can be argued that both the conceptual model and the recommendations may be used as a reference point for potentially any European bank involved in RM with SMEs.

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