

Business Credit News

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“Negotiation” Part III

No matter how many people are involved in a negotiation, important decisions are typically made when no more than two people are involved. As we said in the closing in the previous column, we are convinced that you need to approach each negotiation with a well conceived game plan. Experienced negotiators develop strategies for each phase of the negotiation process: opening, middle, and end. Not unlike master chess players, they come to the table knowing their opening move. They understand that, from there, strategies have to be flexible because how their opponents respond to opening moves is unpredictable. Nevertheless, they plan ahead as much as possible.

The simple format then for developing a negotiating plan is:

What do we want?
How do we begin?
When do we move?
How do we close?

While an inexperienced negotiator may do some planning, they do not plan thoroughly. For example, the experienced negotiator will always develop their closing strategy. They know whether they want to close sooner rather than later and whether they require extensive documentation or if an outline is sufficient.

The initial opening move should always be planned carefully. Initial offers define the parameters of how the negotiation will be “played”. The opening move defines the range in which the negotiators will bargain. In every negotiation the parties begin by defining the “negotiation range”. You get to decide where one end of the range is located, and your opponent decides the other end. Experienced negotiators understand that where leverage is relatively equal, there is always a tendency to meet in the middle. Where the middle is ultimately located depends on where they begin. Therefore, a lot of time and energy is usually spent developing and justifying their initial offers. The experienced negotiator will often make the highest (or lowest) first offer they can justify, while being careful not to stray too far beyond the initial offer. One of the cardinal rules of negotiating is to ask the other party for more than you expect to get. This is often referred to as the maximum plausible position or MPP.

Professional business coaches tell us that when setting goals, the more specific our vision of what we want and the more committed we are to that vision, the more likely we are to obtain it. The same theory holds true in the negotiation process. The experienced negotiator knows that if they demand more than what they expect to receive they will more often than not do significantly better and do so without putting their relationship or reputation with others at risk.

A good approach to any opening proposal should be somewhere between the extreme of outrage and undue moderation. A first offer that is sufficiently reasonable to be viewed constructively by the other side and produce a positive response is a common opening move. However, the opening move should also give the negotiator enough room to move deliberately to their expectation without being forced to stretch.

The skilled negotiator knows that justification is critical to a successful outcome. Having a reason for every element of the offer greatly enhances our chances of success. We know that if you ask someone for a favor, he or she will be more likely to do it when we give them a reason for doing so. We never want to avoid appearing arbitrary and for that reason we should always express a rationale for our position. Negotiating often comes down to obtaining concessions from the other side. The more logical our arguments in support of a point, the greater our chances of resolving the issue on satisfactory terms.

The starting point we select should always be defensible. Never suggest a figure that can't be backed up with a plausible rationale. The more difficult it is to come up with logic to support our position, the more concerned we should be that our counterpart will perceive our position as overreaching. Developing a rationale furnishes us a useful litmus test to determine whether the position we're taking is defensible.

The goal of an effective negotiator is to have expectations that are high enough to present a real challenge but realistic enough to promote good working relationships. If you are basically a cooperative person, raise your expectations. Respectfully ask for more. Insist a bit. The truly gifted negotiator, then, is one whose initial position is exaggerated enough to allow for a series of concessions that will yield a desirable final offer from the opponent, yet is not so outlandish as to be seen as illegitimate from the start. Experienced negotiators understand at the end of the day, after concessions are made, the other party will be satisfied with the deal only after the other party has also made concessions.

The experienced negotiator knows when and when not to make a first offer. There are some who say “never make the first offer”, but this is certainly not correct. There may be a number of good reasons to make the first offer, including motivation, lack of leverage, superior information, or to take control of an issue such as price. The experienced negotiator knows that first offers are usually artificially high. They never get upset over that; they simply respond appropriately.

Always remember that goals are more important than the bottom line. Our goal is only as effective as our commitment to it. We should always make sure our goals are justified and supported by solid arguments. Always plan on making concessions. Making concessions triggers reciprocity. When we make a concession, the other party will usually respond with one. Most often they will feel compelled to do so. The reverse is that when we do someone a favor, they will feel indebted to us for it. Many of us do not like to be obligated to others especially those we are negotiating with. People need to feel that they have 'earned' concessions even when we are willing to give them away for free. We will never prevail on all the issues that arise during a negotiation, so we should save our victories for the significant ones. Let our counterpart take home a few trophies, too, especially on issues that aren't that important to us or when the point they are making is unassailable.

Each party needs to experience the satisfaction of seeing the other side move, in order to feel that the resulting agreement has been adequately bargained. Our refusal to budge on an issue that is insignificant to us will leave our counterpart with a nagging sense of having failed, and that thinking on their part can be potentially hazardous to any deal being achieved. Know when and how to mediate. Experienced negotiators know when a mediator will facilitate settlement and when a mediator is unnecessary and they know when arbitration is preferable to going to court.

The inexperienced negotiator often waits too long before employing a mediator. They let problems fester and parties become too invested in their positions. By the time they get around to mediation, they have wasted considerable resources and the momentum toward trial is formidable. The time to mediate is as soon as the negotiations flounders.

The experienced negotiator is usually a master manipulators, and mediation is no exception. The inexperienced usually come to mediation and act combative with the mediator or exclude the mediator from all relevant discussions. The experienced negotiator understands that the mediator can help them sell their proposals. They arm the mediator with persuasive arguments, legal briefs, or material evidence in support of their position.

Always have a theme. Lawyers who argue their cases to juries know the importance of having a simple, unifying theme. Johnnie Cochran's theme in the O.J. Simpson murder trial of "if it doesn't fit, you must acquit" is a sound example. Experienced negotiators understand that this same technique works in negotiations. A positioning theme is a crisp, memorable phrase or framework that defines the problem you are attempting to solve in the negotiation. An example of a theme I used to suggest to my clients to use was: “when you don't pay, it causes delays”. A little corny but it identified the problem to be resolved. In our final column on negotiation we will discuss the steps to take to resolve the issue, the importance of multiple solutions, and the criteria for evaluating our options.

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***** MARCH 2013 *****

Day	Date	Group	Location	Time
Tues	5	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Thurs	14	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Fri	15	SA Ad Media	Teleconference Meeting 1-800-791-2345	10:00
Tues	19	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
Wed	20	Victoria Credit Group	Sky Restaurant, 236 Foster Field, Victoria TX	11:30
Thurs	21	Austin Ad Media	Santa Rita Tex Mex, 1206 W38th St. Austin TX	11:30
Thurs	21	Fuel & Lube/Heavy Eq.	Teleconference Meeting 1-800-791-2345	2:30
Thurs	21	HVAC Credit Group	Texas Air Products, 11122 Gordon Rd, San Antonio TX	11:30
Fri	22	SW Electrical Group	Onion Creek Country Club, 2510 Onion Creek Pkwy, Austin TX	11:30
Tues	26	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	27	Laredo Credit Group	Laredo Country Club, Laredo TX	11:30
