

# Business Credit News

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CREDIT REPORTS 210-225-7106  
COLLECTION 210-225-7106  
E-MAIL: [bcms@nacmtx.com](mailto:bcms@nacmtx.com)  
FAX SERVICES 210-225-1777  
WEB SITE: [www.nacmtx.com](http://www.nacmtx.com)

National Association of Credit  
Management of Texas, Inc  
4407 Walzem Rd #205  
San Antonio, TX 78218

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**OCTOBER 2016 Chairman: Terry Ludzenski  
Holt Cat**

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## **“THE ART OF NEGOTIATION”**

*By: David Balovich*

It has often been said that credit is not rocket science but rather a process of gathering and analyzing information to minimize risk. In addition, the extension of credit includes the art of collecting. A process of motivating someone to do something, pay, that they don't necessarily want to do at the time that we want them too.

Whether we are obtaining the information we require; application, financials, guaranties, security agreement, etc. or requesting payment, everyone of these activities requires us to negotiate with the other party.

Negotiating has been defined as an interactive communication process that may take place whenever we want something from someone else or another person wants something from us.

"Take it or leave it!" "This proposal is non-negotiable." "Don't ask me again, we're not going to sign your agreement. This is all we are going to do." "This is it. If you don't want to accept the payment amount, forget it." "Negotiating with you is a waste of time. We'll see you at the courthouse!"

How do you feel when you hear statements like this? How do you feel when people are belligerent; when they hang up on you, literally or figuratively; when they let you know that they do not want to have a dialogue with you about such ethereal subjects as your needs, interests, or concerns about a proposal or a transaction?

When we react negatively to ultimatums, inflexibility, and statements like those in the preceding paragraph, we may come to the realization that other people feel the same way. Unless we are in the military, or subject to some similar hierarchical organization, we will conclude that, if we want to have a relationship with the party on the other side of the table or the other end of the phone then we must negotiate. Negotiation is unavoidable.

Most of us negotiate with one another frequently. Once we realize this, theoretically, we have two choices: accept the fact that negotiation is a way of life in our culture and improve our skills so that we can negotiate with confidence; or, do nothing about it. Some may argue that negotiation is an art, that it is intuitive; or, that we all know how to negotiate, learning basic skills on the playgrounds of life. Perhaps there are naturally gifted negotiators. But, as a consultant, mediator, and credit manager who has spent over 40 years negotiating customer settlements, negotiating transactions for clients, and negotiating personal transactions, I can attest to the fact that many negotiators are not naturally gifted.

The majority of people simply don't know how to negotiate and that is understandable. Our parents didn't teach us how to negotiate, probably because their parents didn't teach them either. And despite the fact that negotiating is a vital skill, we're generally taught nothing about it in school. That leads to the second reason there are so few skilled negotiators: people don't think it's possible to learn how to become a skilled

negotiator. Since we're not taught how to negotiate we just assume it cannot be taught. The third, and I believe most powerful reason is fear.

We can all improve our skills as negotiators. But, how? Conjure up two individuals: the "Skilled Negotiator" and the "Novice". The Skilled Negotiator is not someone who works miracles, who can pull off remarkable "swindles" or hypnotize his or her opponents into barking like dogs and doing other things they would not ordinarily do. The Skilled Negotiator is simply demonstratively better than the Novice. The Skilled Negotiator's skills are obvious. While he or she may not walk on water, they will consistently obtain the best deal possible under the circumstances. On occasion, perhaps even frequently, they will get remarkably good results. Why?

What sets the Skilled Negotiator apart? Why do we consider he or she a master? What do they know that the rest of us do not? What can we learn from them? I have concluded that Skilled Negotiators follow certain rules that novices are unaware of, do not understand, or that they simply do not implement.

### **Fundamental Elements of the Negotiation Process**

Negotiation is normally a four-step process: preparation, information exchange, explicit bargaining, and commitment. Some negotiators consider negotiation a dance with four steps.

The following are the basic phases in the negotiation process:

#### **Phase I: Pre-bargaining Phase**

1. Information: Learn as much as possible about the problem. What information is needed from the other side?
2. Leverage Evaluation: Evaluate the leverage we have and the other party's leverage at the outset. This is important because there may be a number of things we can do to improve our leverage or diminish the leverage of the other side.
3. Analysis: What are the real issues? Separate the emotions from the facts.
4. Rapport: Establish rapport with the other side. We need to determine from the beginning if the other side is going to be cooperative.
5. Goals and expectations: Goals are one thing; expectations are something else. It is important to determine both prior to communicating with the other party.
6. Type of negotiation: What type of negotiation do we expect? Will this be highly competitive, cooperative, or something unusual? Will we be negotiating face to face, by phone, through a mediator, or in some other manner?
7. Plan: What's the negotiation plan?

#### **Phase II: Bargaining Phase**

1. Logistics: When, where, and how will we negotiate? This can be especially important in multi-party cases.
2. Opening offers: What is the best offer we can justify? Should we make it an opening offer or wait to let the other party go first?
3. Subsequent offers: How should we adjust our negotiating plan when responding to unanticipated moves by our opponent?
4. Tactics: What sort of tactics will we employ? What sort of tactics will our opponent be using?
5. Concessions: What concessions are we prepared to make and how will we make them?
6. Resolution: What is the best way to resolve the problem? Is there a practical solution? Be on constant alert for compromise and creative solutions.

#### **Phase III: Closure Phase**

1. Logistics: How and when will we close? At the negotiation or a later time? Who will prepare the final agreement?

2. Documentation: Always prepare a closing checklist to follow.
3. Emotional closure: It's one thing to end a legal dispute; it's another to address the underlying interests and needs of the parties. If we neglect the latter, the agreement will probably not sustain.
4. Implementation: It's not over until it is over.

Some of these elements are self-explanatory and elementary. We will address more issues in next months newsletter.

\*\*\*\*\* **OCTOBER 2016** \*\*\*\*\*

Day	Date	Group	Location	Time
Tues	4	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Fri	7	SW Electrical Group	***** CANCELLED *****	
Tues	11	Coastal Bend Group	Holt Cat, Corpus Christi TX	11:30
Wed	12	Rio Grande Group	Pro Build, Mercedes TX	11:30
Thurs	13	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Tues	18	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
Thurs	19	Victoria Credit Group	The Sky Restaurant, Victoria TX	11:30
Thurs	20	Austin Ad Media	Phone Conference Meeting 1-800-791-2345	2:00
Thurs	20	HVAC Credit Group	Texas Air Products, San Antonio TX	11:30
Thurs	20	Fuel & Lube/Heavy Eq.	Phone Conference Meeting 1-800-791-2345	2:30
Tues	25	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	26	Laredo Credit Group	Phone Conference Meeting 1-800-791-2345	2:00

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### NACM On-Line Reports

**NACM has added over 30,000 new credit reports to our database. If you are suppliers of the Building Materials & Construction, Concrete, Food, Ad Media, Equipment, General Aviation, Iron & Steel, Petroleum, Electrical, Heating & Air Conditioning, and many more industries, call us now to get your password to access our on-line reports. There are no search fees while accessing our date and you are given the number of trade lines available on a report before you order the report. All you have to be is a NACM member to access our on-line reports. To get started, call NACM at (210)225-7106.**

### NACM COLLECTION SERVICE

Our collections staff is willing and certainly able to take on those tough, overdue accounts to which you've been devoting too much of your valuable time. We act promptly, personally contacting the debtors on the same day we receive your accounts. We are equal opportunity collectors, that is, no matter where your debtors live in the nation or who they are, we will find them and collect. In cases where we don't collect, we charge no fee, albeit we do so grudgingly.....we don't like failure. For your protection, all funds collected are placed in trust accounts. Also, all employees and attorney's are bonded. When you hit that wall in your collection efforts, give us a call at (210)225-7106 or you can fax your problems to us at (210)225-1777.

**We still have some Bond & Lien Booklets available for purchase. If you are interested in obtaining one please give us a call at (210)225-7106.**