

Business Credit News

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OCTOBER 2016 Chairman: Terry Ludzenski
Holt Cat

“NEGOTIATION PART II”

By: David Balovich

When we enter into a negotiation everything is negotiable and attitude is critical. Novice negotiators do not understand that everything is negotiable all of the time. They give up too easily. When the other party slams down their briefcase and walks out of a negotiation session, they do not understand that this is a tactic but instead they interpret it as the end of the negotiation. This is a common practice among skilled negotiators and many lawsuits wind up in court because lawyers do not understand that "positions" are always negotiable. Many attributes go into making a skillful negotiator, including such things as having a good memory, being 'quick verbally', and handling stress well. But effectiveness is as much a matter of *attitude* as it is of ability. The best negotiators exhibit four key habits of thought that everyone, regardless of their style or IQ, can adopt to improve their negotiation results:

A willingness to prepare

High expectations

The patience to listen

A commitment to personal integrity

I cannot recall conducting a mediation or being involved in a dispute that could not have been compromised. Skilled negotiators are always on the look-out for an acceptable compromise, especially as the gap between the parties narrows. Always assume that we will end up in the middle, between the two opening negotiation positions. In both the little and the big things, the majority of the time we end up splitting the difference.

"Fair" is a range. Many negotiations break down because one person has a number in mind (his "bottom line"), and the other person has a number in mind, and one or both parties adopts a negative attitude about closing the gap. One way that skilled negotiators avoid impasses like this is to understand that reaching agreements with people is rarely such an exact science that we can get things down to decimal points. Whether we are trying to reconcile a past due account, buy or sell a product or service, or dickering over the amount of our annual raise, scarce is the book that says what the item is worth. How much will a jury award? How much would another buyer pay? How much would another employer pay for our services? And, if the solution to the various problems over which we typically negotiate were so easily found, there would be no reason to negotiate in the first place. Thus, by the very nature of the beast, the "fair" resolution in every negotiation is a range, not a point in space. By keeping this in mind, skilled negotiators are more flexible than novices.

Whenever I negotiated for a client, I looked for the “favorable middle ground - where my client was pleased with the resolution and the other party was satisfied enough to do the deal.

Don't neglect communication skills. Lines of communication are critical. The life-blood of any negotiation is communication and without good communication skills there can be no successful negotiation. Skilled negotiators understand this. Novice negotiators often focus on static elements of the problem and believe they are "playing a winning hand", and throw down the gauntlet, only to learn later the dynamic elements of the situation have changed, their leverage has withered, and they have burned their bridges. Skilled negotiators nurture their lines of communication. Where the lines are weak, they seek to either develop new lines or improve the existing ones.

To ease the stress of negotiating and improve the chances for a successful result, we should establish rapport with our counterpart, and build on that foundation. This is especially important in cases where the parties will have a long-term relationship after closure. If there is a secret to creating and sustaining trust in negotiation it is simply recognizing a norm in human behavior. We call it the norm of reciprocity. The norm of reciprocity in negotiation amounts to a simple, three-step code of conduct. First, we should always be trustworthy and reliable. Second, we should be fair to those who are fair to us. And lastly, we should let others know when we think they have treated us unfairly. Unfair treatment, left unnoticed or unrequited, breeds exploitation, followed by resentment and the ultimate collapse of the relationship. Remember, generosity begets generosity. Fairness begets fairness. Unfairness ought to beget a firm response. That's the norm of reciprocity in relationships.

Always take turns. After we make a move, we should wait until the other party reciprocates before we move again. Another time-tested way to encourage the delicate process of establishing trust in working relationships is to give the other side something as a symbol of good faith. Behavioral scientists have argued that gifts - especially gifts between unrelated strangers - often serve as signals regarding intentions to invest in a future relationship. The Japanese always present gifts as a preliminary before entering into negotiation. If it is difficult to establish rapport with the unreasonable, rude SOB on the other end of the phone, don't give up. There are a couple of things we can do. First, consider an "end run". For example, if we are a credit manager dealing with the accounts payable manager, and find it impossible to communicate with him or her, consider having our salesperson communicate with their buyer. Second, consider engaging another credit professional in our organization who we know has good rapport with our opponent. Third, consider employing a mediator.

The best time for handling people problems is before they become people problems. This means building a personal and organizational relationship with the other side that can cushion the people on each side against the knocks of negotiation.

All the behavioral professionals like Buckingham and Fisher tell us that "people problems" fall into three categories: perception, emotion, and communication. Facts, even if established, may do nothing to solve the problem. They recommend that we place ourselves in their shoes.

The ability to see the situation as the other side sees it, as difficult as it may be, is one of the most important skills a negotiator can possess. To accomplish this task we should be prepared to withhold judgment while focusing on their perspective. Seek their advice concerning how to resolve the issue. We probably will not like what we hear, but they will feel better about us because we inquired. Apart from the substantive merits, the feeling of participation in the process is perhaps the single most important factor in determining whether a negotiator accepts a proposal.

Although this suggests that intimidation tactics are ineffective, which, of course, is not true. The skilled negotiator understands that persuasion is usually superior to intimidation as a negotiation tactic. If intimidation works, it only works when the negotiating playing field is un-balanced for some reason, where one party has so much greater leverage than the other, that the interaction can scarcely be called a negotiation. And, as every parent who has raised a child to adolescence knows, intimidation almost always results in passive aggressive behavior and resentment.

We should be cooperative, but not to the extent that we let our guard down. Studies have shown that cooperative negotiators are more effective than competitive negotiators. Successful negotiation does not need to be tricky. But it helps to be alert and prudent.

The best negotiators play it straight, ask a lot of questions, listen carefully, and concentrate on what they and the other party are trying to accomplish at the bargaining table. The Skilled negotiator studies the terrain before settling into a negotiation. He understands that some negotiators are cooperative and some are competitive. Being too cooperative with a highly competitive negotiator is a good way to get manipulated. Pursuing a soft and friendly form of positional bargaining can make us vulnerable to someone who is playing a hard game of positional bargaining. In positional bargaining, a hard game dominates a soft one.

Listen. It is hard to overstate the importance of listening skills in negotiation. The best negotiators ask questions, test for understanding, summarize discussions, and listen, listen, listen. We can get more by finding out what the other person wants than by employing clever arguments supporting what we need. The best strategy to adopt while the other side lets off steam is to listen quietly without responding to their attacks, and occasionally to ask the speaker to continue until he has spoken his last word. In this way, we offer little support to the inflammatory

substance, give the speaker every encouragement to speak himself out, and leave little or no residue to fester. Listen actively and acknowledge what is being said. It has been said that the cheapest concession one can make to the other side is to let them know that they have been heard. Standard techniques of good listening are to pay close attention to what is said, to ask the other party to spell out carefully and clearly exactly what they mean, and to request that ideas be repeated if there is any ambiguity or uncertainty. Unless we acknowledge what they are saying and demonstrate that we understand them, they may believe we have not heard them or do not care.

Develop a flexible negotiation plan. We need to approach each negotiation with a well conceived game plan. Skilled negotiators develop strategies for each phase of the negotiation process: opening, middle, and conclusion. Like master chess players, they come to the table knowing how they are going to open. They understand that, from there on, strategies have to be flexible because how their opponents respond to opening offers is unpredictable. Nevertheless, they plan ahead as much as possible.

A simple format to follow when developing a negotiating plan is:

- What do I want?
- Where to I start?
- When do I move?
- How do I close?

While a novice negotiation may do some planning, he does not plan thoroughly. For example, a skilled negotiator will always develop a closing strategy. He knows whether he wants to close sooner rather than later and whether he wants extensive documentation or if an outline of the deal will do.

***** **NOVEMBER 2016** *****

Day	Date	Group	Location	Time
Fri	4	SW Electrical Group	The Onion Creek Country Club, Austin TX	11:30
Tues	8	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Tues	8	Coastal Bend Group	Holt Cat, Corpus Christi TX	11:30
Wed	9	Rio Grande Group	Pro Build, Mercedes TX	11:30
Thurs	10	SW Food Credit Group	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:00
Wed	16	Victoria Credit Group	The Sky Restaurant, Victoria TX	11:30
Thurs	17	Fuel & Lube/Heavy Eq.	Phone Conference Meeting 1-800-791-2345	2:30
Thurs	17	Austin Ad Media	Phone Conference Meeting 1-800-791-2345	2:00
Thurs	17	HVAC Credit Group	Texas Air Products, San Antonio TX	11:30
Tues	22	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin, TX	11:30
Tues	22	SA Construction	Las Palapas, 4802 Walzem Rd, San Antonio TX	11:30
Wed	23	Laredo Credit Group	Phone Conference Meeting 1-800-791-2345	2:00

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A company with financial problems does not acquire them overnight. It has usually experienced one to three years of surfaced difficulty. The earlier these warning signals are identified and analyzed the greater the chance of effective correction action.

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NACM COLLECTION SERVICE

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