

# Business Credit News

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

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## “NEGOTIATION PART III”

*By: David Balovich*

No matter how many people are involved in a negotiation, important decisions are typically made between no more than two people.

As we said in the closing in the previous column, we are convinced that one needs 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 on, 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 before any negotiation begins. They know beforehand 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”. We should determine where one end of the range is located, and our 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 we begin. Therefore, a lot of time and energy is usually spent developing and justifying the 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 we 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.

The initial offer should be sufficiently reasonable to be viewed constructively by the other side and produce a positive response. 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 their chances of success. We know that if we 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 opponent 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 we are basically a cooperative person, we should raise our expectations. Respectfully ask for more and never hesitate to 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 we have also made some concessions.

The experienced negotiator knows when to 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 and 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 we want to achieve.

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 third party, attorney, intervention is formidable. The time to mediate is as soon as the negotiations flounder.

The experienced negotiator is usually a master in manipulation, 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 ideas. They arm the mediator with persuasive arguments, relative information, 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 the glove doesn't fit, you must acquit" is a classic 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 often suggested to my clients to use was: "when you don't pay, it causes delays". Alright it is a bit corny but it identified the problem to be resolved. The customer being unable to receive products or service in a timely fashion.

In our next and final column on negotiation we will discuss the steps to resolve the issue, the importance of multiple solutions, and the criteria for evaluating our options.

\*\*\*\*\* **DECEMBER 2016** \*\*\*\*\*

Day	Date	Group	Location	Time
Tues	6	Austin Construction	Texas Land & Cattle, 6007 N IH 35 & Hwy 290, Austin TX	11:30
Fri	16	SW Electrical Group	The Onion Creek Country Club, Austin TX	11:30

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**Collection Corner**

After placing a customer for collection, what should a creditor do when the customer contacts them?

If the customer wants to discuss the account, refer them to the agency or attorney representing you. They had plenty of time to “talk” before being turned over. If your customer wants to know a balance, also refer them to the agency or attorney. We can’t count the number of debtors who try to avoid paying legally owed interest, fees, costs, etc. by contacting their creditors.

If the customer wants to pay in person or by mail, resist the temptation to accept the check. Again, defer to the agency or attorney. If the check is sent to you anyway, do not deposit the check, rather forward it to the agency for proper handling and accounting purposes. Once a claim is placed for collection, your goal should be to have as little contact with the debtor as possible. For example, don’t continue to send statements; having more than one entity pursuing the debt may be grounds to file harassment charges.

Let our NACM Collection Staff go to work for you today! Give us a call at (210)225-7106 or 800-256-5306

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