

# **Effective Negotiations**

**Virginia Bankers Association  
School of Bank Management**

**2022**

**Faircloth**  
Performance Partners

**NEGOTIATE THIS...**

70-year-old West Virginia mountain retreat, valued at \$485,000, \$274,500 remaining debt.			
Younger Brother Wants...		Older Sister Wants...	
Sell the house	Rarely uses it, plus structural repairs are needed	Keep the house	Visits 8-10 times a year 4 generations of memories
Spend the money	Partially pay for college tuition Buy hunting tract	No sale means no proceeds	Note: 2019 cancer treatments depleted savings
Family	Kids 19, 15, and 6	Family	Empty nesters 2 children, 4 grand kids
Careers	He's an attorney Ex is CEO of a start-up	Careers	Retiring from banking in 2023 Husband is a homebuilder
What is a workable solution that meets both his and her main needs? _____			
_____			
_____			

**WHAT CAN BE NEGOTIATED?**

In Banking	In Life
Loan Rates and Terms	Purchases
Fees	Possessions
Vendor Contracts	Responsibilities
Deadlines	Preferences
Titles	Time
Duties	Boundaries
Salaries/Benefits	Values?
??	??

**THE PROCESS**

This course addresses negotiation from a relationship perspective, employing these four steps to find and meet the most important needs of all parties.

1. **DETERMINE NEEDS**
2. **ASSESS STRENGTHS**
3. **DEVELOP OPTIONS**
4. **NEGOTIATE AGREEMENT**

This process places importance on understanding needs and creating workable options before negotiating and avoids turning a negotiation into a pressurized win-lose argument.

## THE NEGOTIATION PLANNER

The first 3 steps of the process can be developed using this planning form.

### NEEDS

MY NEEDS	REASON	PRIORITY

### STRENGTHS

MY STRENGTHS	HOW TO LEVERAGE

OTHER'S NEEDS	REASON	PRIORITY

OTHER'S STRENGTHS	HOW TO COUNTERACT

### OPTIONS

TO BE NEGOTIATED	OPTION A (OPENING POSITION)	OPTION B	OPTION C	OPTION D (WALK AWAY POINT)
Item				
Item				
Item				
<b>CONSIDERATIONS</b>				

**THE BASICS:**

**NEGOTIATING APPROACH**

The nature of your connection or your goal determines your approach to your negotiating partner.

**TRANSACTION**

**RELATIONSHIP**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**NEGOTIATING STYLE**

It is also important to understand how people act when they negotiate. Your personal style and the style of your partner affect your planning as well as your conversation during a negotiation.

**ADVERSARIAL**

**COLLABORATIVE**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**DiSC: THE EFFECT of PERSONALITY on NEGOTIATION**

<b>Dominant</b>	<b>Influencer</b>	<b>Supportive</b>	<b>Conscientious</b>
<i>Strength?</i>	<i>Strength?</i>	<i>Strength?</i>	<i>Strength?</i>
_____	_____	_____	_____
<i>Weakness?</i>	<i>Weakness?</i>	<i>Weakness?</i>	<i>Weakness?</i>
_____	_____	_____	_____
<i>Fear?</i>	<i>Fear?</i>	<i>Fear?</i>	<i>Fear?</i>
_____	_____	_____	_____
<i>Approach?</i>	<i>Approach?</i>	<i>Approach?</i>	<i>Approach?</i>
_____	_____	_____	_____

**STEP 1: DETERMINE NEEDS****FINDING THE MAIN NEEDS**

In most negotiations, it is relatively easy to find out what the other party wants and why they want it. The remaining-and more difficult-task is finding out how badly they need it.

Finding the “hot buttons” is the first key skill in successful negotiation and there are three methods of determining these main needs:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

The main needs of both parties can be captured in a format like the one in the example below:

**EXAMPLE**

Your supervisor approaches you about a new position, helping expand small business banking in a fast growing, underserved market covered by two new branches. This job would be a 2-grade increase, but that doesn't automatically mean more money, as your current pay is higher than the new job grade minimum. She praises your lending expertise and especially your relationship skills. “We need both in this market. We're going to do things differently so we can have a faster impact on our production.” You're happy to have recognition, but you feel a move into management, not just a larger portfolio, is a more important step. You need to find out more about what she wants. What questions will you ask based on her comments?

<b>My Need</b>		
<b>My Need</b>	<b>Reason</b>	<b>Priority</b>
Higher Salary	Recent Promotion	
Stability	Just bought a new house	
Promotion to Management	“Changing lanes” Move to a 1-income family	

<b>Supervisor's Needs</b>		
<b>Her Need</b>	<b>Reason</b>	<b>Priority</b>
Lending Expertise		
Relationship Skills		
Meet 2022 Goals		

**STEP 2: ASSESS STRENGTHS**

**4 TYPES OF LEVERAGE**

In any business situation, one side will have a strength (or leverage) in terms of financial condition, market knowledge or some other factor. In banking, these areas typically include:

**FINANCIAL**

**PERSONALITY**

**TIMING**

**INFORMATION**

It is important to understand how strengths (and weaknesses) can influence negotiating tactics. If you have strength, how do you use it to your advantage? How do you counteract the strength of another party?

**EXAMPLE**

As you prepare for your next meeting with your manager, consider how you will use your strengths to build a better case for yourself. How will you neutralize her leverage points?

<b>Banker's Strengths</b>	
<b>Advantage</b>	<b>How to Leverage?</b>
Strong performance	
Prior management experience	
Interest from other banks	
Attention from CEO	
<b>Supervisor's Strengths</b>	
<b>Advantage</b>	<b>How to Counteract?</b>
She controls my duties and salary	
Adept at controlling conversations	
Seems willing to wait to decide	
Knowledge of changing structure	

**HOW TO HANDLE?**

Your best customer is good friends with your manager.

Your manager approaches you to work on a project over a weekend.

A co-worker confides that she's turning in her notice to leave a position you've always wanted.

### STEP 3: DEVELOP OPTIONS

### ONE CHOICE IS NOT ENOUGH!

Once you know the main needs of both parties, as well as what strengths will be encountered and balanced, you are ready to create options. Follow these steps:

1. List the needs of all parties, then force-rank these so you have a clear understanding of everyone's main needs. Are there any areas where both parties want the same thing?
2. Create a list of negotiation items (left column in the chart below) that will probably be discussed as part of the negotiation.
3. Considering all needs and negotiation items, create an opening position (Option A on the left of the chart below), This represents the offer that meets most of your hot button needs but is still acceptable to the other person. This starting point is most favorable to you.
4. Next, establish a walk-away point (Option D on the far right of the chart) has the opposite purpose - meeting most of the other person's main needs but still acceptable to you. It favors your negotiating partner.
5. Using your opening and walk-away positions, create middle ground choices (Options B and C) that meet the main needs of both sides without either party receiving major concessions.

The result is a realistic range of combinations provides choices from "best for me" to "best for you." The A through D options in the case study chart below shift from favoring you to favoring your partner. Any option within this range is acceptable.

#### EXAMPLE

Here are the negotiation items you are considering, along with possible options, in preparation for the upcoming meeting to discuss the new position. Follow the options; can you find the give/get combinations as the options move from opening position to walk away point?

To be Negotiated	Option A	Option B	Option C	Option D
<b>Raise</b>	8% raise	3% raise	3% raise	No raise, 6-month review
<b>Bonus/Incentive</b>	0%	Override on team results	5% at year-end	Current plan
<b>Management Role</b>	Vice President	Team leader, and add Sr. to title	Current title/duties	Show leadership, get noticed
<b>Location</b>	Move to HQ	Move to HQ	Stay at current location	Stay at current location
<b>Improvement Actions</b>	Credit committee	Attend Stonier	ABA Advanced Comm. Lending School	Attend conferences and on-line courses
<b>Who's favored</b>	<b>Me</b>	<b>Me/You</b>	<b>You/Me</b>	<b>You</b>

#### TWO RULES of OPTIONS

1. Make sure all options are reasonable and intact. Creating an extreme opening position that offers nothing to the other person diminishes your credibility and hurts your chances to gain agreement.
2. As you move from opening position to other choices, never give up anything without asking for something you want in return. This condition does not have to be of equal monetary value but sets a win-win tone for this discussion and future discussions.

1. What are some factors that affect the range of options you develop?
2. Are there situations where you cannot offer any options?

**BRAINSTORMING**

With your group, consider the situations below, then develop win-win options that meet the needs of both parties.

**EXTERNAL (CUSTOMER OR VENDOR)**

**OTHER PERSON'S NEED**

**OFFSETTING OPTIONS**

Good customer demands lower rate on loan

\_\_\_\_\_

\_\_\_\_\_

Overdraft fees have always been waived for good customer

\_\_\_\_\_

\_\_\_\_\_

Vendor wants to increase rates on new contract, but their service has slipped over the past year

\_\_\_\_\_

\_\_\_\_\_

**INSIDE THE BANK**

**OTHER PERSON'S NEED**

**OFFSETTING OPTIONS**

Unrealistic project deadline

\_\_\_\_\_

\_\_\_\_\_

More duties, no pay increase

\_\_\_\_\_

\_\_\_\_\_

**OUTSIDE OF WORK**

**OTHER PERSON'S NEED**

**OFFSETTING OPTIONS**

Teenager stays out past curfew

\_\_\_\_\_

\_\_\_\_\_

Change hunting camp dates for next year

\_\_\_\_\_

\_\_\_\_\_

**STEP 4: NEGOTIATE AGREEMENT**

**DIFFICULT OR EASY?**

This final step in the negotiation process may appear to be the most difficult because it deals with the actual meeting with the other person. However, it can be the easiest-if the other three steps have been done correctly.

Remember, if you understand your main needs and those of the other person, know what strengths both parties possess, and have developed a practical range of options, you improve your chances for success.

**THE NEGOTIATION MEETING**

**SET THE AGENDA AND TONE**

This critical step 1) lets the other person know what you want to accomplish and 2) gives him or her opportunity to agree with or alter the agenda. This sets a cooperative tone.

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**REVIEW AGREEMENTS**

By reviewing the topics or items on which you already agree, you start the negotiation on a positive note. When viewed as part of the whole, disagreements seem smaller than they do by themselves. (Or, as an option, should you focus on differences first?)

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**OFFER CHOICES**

This is the heart of the negotiating process. Remember, you and your partner want the same thing: a solution. Review page 6 to see the logic for the options you developed and the plan to move from one to the next, if needed.

If an option is not accepted, do not offer another until you've asked questions to better understand why the current offer doesn't meet the other person's need. The answers to your inquiries may provide more insight to his or her main needs.

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**AGREE ON CHOICES AND ESTABLISH NEXT STEPS**

Once you have reached an agreement, stop negotiating! Review the decision that has been reached, outline the next steps, and thank the other person for a win-win outcome. As soon as possible, recap the agreement in writing to prevent any misunderstandings.

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1. Know the objective(s)

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2. Understand your strengths and weaknesses

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3. Ask with confidence

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4. Be direct

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5. Anticipate objections

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6. Continuously question

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7. Use consequences

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8. Avoid ultimatums

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9. Be strategic with big moves

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10. Remain calm

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1. Monetary vs Intrinsic Value

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2. Present vs Future Value

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3. Reality vs Image

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4. Emotional Investment or Drain

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**HOME STUDY PROMBLEM**

Dates

Topic Submission Date \_\_\_\_\_

Paper Due Date \_\_\_\_\_

Assignment:

- Use the 4-step process to plan an actual negotiation.
  
- Your scenario can be in your work or personal/home environment.
  
- The situation must be one which begins/began after July 29, 2022 (You cannot apply the 4-step process to a past negotiation).
  
- Your grade does not depend on the success of your negotiation.
  
- All details are contained in the directions accompanying the assignment.
  
- Mark will host a Zoom meeting (date TBD) to review the instructions, discuss ideas and answer any questions.

For questions or further information, please contact Mark Faircloth, [mark@faircloth-partners.com](mailto:mark@faircloth-partners.com), or (334) 742-3828.

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### STRENGTHS

MY STRENGTHS	HOW TO LEVERAGE

OTHER'S NEEDS	REASON	PRIORITY

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