

# **EFFECTIVE NEGOTIATIONS**

**Virginia Bankers  
Association**

**School of Bank Management**

**2020**

This workbook is designed in a printable PDF format.  
This allows you to enter your notes electronically in the shaded spaces  
throughout the book.

If you prefer, you can print a hard copy for your handwritten notes.

**Faircloth**  
Performance Partners

## NEGOTIATE THIS...

He Wants...		She Wants...	
Basketball	UVA season tickets ACC tourney and NCAA tix	Sorority Alum Weekend	Held in March Missed this for the past 3 years
Beach	Kids seem to love it Parents' house at VA Beach	Mountains	We need variety Sister's cabin at Wintergreen
Hunting	Tradition with my dad My daughter loves it	Hiking	Hiked the AT in college 70 more miles to southern end
Family Time	I need to be a more involved dad and husband	Family Time	More variety and doing things we all enjoy – together
Pressure	My dad can do anything, and makes it look easy	Pressure	My mom could do anything, and made it look easy

## 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
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## 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.

## NEGOTIATION PLANNER

### NEEDS

MY NEEDS	REASON	PRIORITY

### STRENGTHS

MY ADVANTAGES	HOW TO LEVERAGE

YOUR NEEDS	REASON	PRIORITY

YOUR ADVANTAGES	HOW TO COUNTERACT

### OPTIONS

TO BE NEGOTIATED	OPTION A (OPENING POSITION)	OPTION B	OPTION C	OPTION D (WALK AWAY POINT)
CONSIDERATIONS				

## NEGOTIATING APPROACH

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

### RELATIONSHIP

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### TRANSACTION

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## 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.

### COLLABORATIVE

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### ADVERSARIAL

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## THE EFFECT of PERSONALITY on NEGOTIATION

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

**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 is 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>Banker's Needs</b>		
<b>My Need</b>	<b>Reason</b>	<b>Priority</b>
Higher salary		
Stability		
Promotion to management		

<b>Supervisor's Needs</b>		
<b>Her Need</b>	<b>Reason</b>	<b>Priority</b>
Lending expertise		
Relationship skills		
Meet 2020goals		

## 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'll use your strengths to build a better case for yourself. How will you neutralize her leverage points?

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

### 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 that 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
Raise				
Bonus/Incentive				
Management Role				
Location				
Improvement Actions				
Who's favored	Me	Me/You	You/Me	You

#### TWO RULES of OPTIONS

1. Make sure all options are reasonable. 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 doesn't have to be of equal value but sets a win-win tone to the discussion.

### STEP 3: DEVELOP OPTIONS

### DISCUSSION

1. What are some factors that affect the range of options you develop?
2. What are 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

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Overdraft fees have always been waived for good customer.

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

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#### INSIDE THE BANK

##### OTHER PERSON'S NEED

##### OFFSETTING OPTIONS

Unrealistic project deadline

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More duties, no pay increase

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#### OUTSIDE OF WORK

##### OTHER PERSON'S NEED

##### OFFSETTING OPTIONS

Stay out past curfew

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Shared use of hunting camp

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## 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, don't 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've 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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## STEP 4: NEGOTIATE AGREEMENT

## CONSIDERATIONS

The Effective Negotiation process has 4 steps, and each one is made easier utilizing these 10 rules.

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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## **DILEMMA**

## ***WHAT IF YOU CAN'T REACH AGREEMENT?***

Not every negotiation is successful. If you cannot reach an agreement, even at your minimum position, you need to consider how the failed negotiation will affect your relationship with the other party. What is your Best Alternative to a Negotiated Agreement (BATNA)?

BATNA is a phrase from the book Getting to Yes. The key word is alternative. BATNA is often misunderstood as going beyond the minimum offer with additional options. Instead, BATNA refers to a way to keep the door open to revisiting options in a separate meeting or keeping the relationship intact for future business.

A typical BATNA statement might be structured like this: "I'm sorry we weren't able to reach agreement on this deal, but I want to stay connected to what you are doing and would be glad to discuss future projects."

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