

Effective Negotiations

**South Carolina
Banking School**

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INTRODUCTION

In every industry in which a product or service is presented to a prospective customer, good relationship skills are needed to be successful. Banking is no different, but for years the development of sales skills has lagged far behind that of technical skills such as profitability analytics and credit analysis. Even with this slow progression, these transaction steps remain the same.

1. DISCOVERING NEEDS
2. PRESENTING SOLUTIONS
3. GAINING AGREEMENT

Even in a pandemic-affected remote environment, this model works fine if the bank's solutions closely match the needs of the customer. Our industry has made improvements in customized products and delivery channels, as well as better client modeling and long-term relationship activities. However, standard solutions are often not acceptable to customers. Likewise, within the bank different areas find they have conflicting opinions about the best way to manage projects or offer service to internal customers. Thus, the need for a process that meets the needs of all sides.

What is negotiation? _____

This course utilizes the knowledge and communication skills you already possess and organizes these into a four-step process:

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

It is not enough to just walk through the steps. You also need to concentrate on how you work to build solutions that best meet the needs of all parties.

This is a session in which you will "fine tune" your existing skills to better understand your customers' (or internal partners') needs, build better solutions, and therefore establish more profitable and effective relationships.

DISCUSSION: In your experience, which types of negotiations (large purchases, choosing a restaurant, asking for a raise, etc.) are the most difficult? Why?

THE IMPORTANCE OF RELATIONSHIPS

Almost every financial institution concentrates on deepening customer relationships by providing additional products or services. The logic? The more the customer depends on you, the more loyalty he or she has, and the less likely he or she is to leave your bank for another one. Multiple relationships mean more income and (most of the time) more loyalty.

However, many customers do not want deep relationships, preferring to "shop" every deal for the one that best meets their needs. Plus, often banks do not want a deep relationship with some customers, because of weak cash flow, lack of assets or other factors.

The same logic is true internally, with some conditions requiring constant interaction vs. a "project by project" environment.

NEGOTIATING APPROACHES:

For your long-term business development strategy, it is helpful to identify your negotiating partner as Transaction- or Relationship - Oriented.

What are the characteristics and differences between these two approaches?

TRANSACTION

RELATIONSHIP

NEGOTIATING STYLES:

It is also important to know how people act when they negotiate. Generally, there are the two styles shown below. What are indicators of each?

ADVERSARIAL

PROBLEM-SOLVING

DISCUSSION: Are there times when a banker is justified in using an adversarial approach?

THE EFFECT OF PERSONALITY ON NEGOTIATIONS

The **DiSC Personal Profile System** allows you to examine your own personality style, develop a way to better understand the personalities of those around you, and shape an approach that will result in greater success. DiSC behavioral dimensions:

DOMINANCE

Ambitious, forceful, decisive, direct, independent, challenging

Strength _____ Weakness _____

Approach _____

INFLUENCE

Expressive, enthusiastic, friendly, talkative, stimulating, optimistic

Strength _____ Weakness _____

Approach _____

SUPPORTIVE

Steady, good listener, relaxed, reliable, predictable, passive

Strength _____ Weakness _____

Approach _____

CONSCIENTIOUS

Analytical, deliberate, precise, restrained, detailed, diplomatic

Strength _____ Weakness _____

Approach _____

STEP 1: DETERMINE NEEDS

FINDING THE MAIN NEEDS

Finding the “hot buttons” of all parties 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 are captured in the Negotiation Planner section shown below. This section is partially completed based on a situation where a banker is being offered a new position. In discussion, study the needs and reasoning of both the employee and the manager, and complete this section based on class discussion.

BANKER’S NEEDS		
Need	Reason	Priority
Higher salary	Recent pay raise	
Stability	Just bought a new home	
Promotion to management	“Lane change” to one income	
MANAGER’S NEEDS		
Need	Reason	Priority
Lending experience		
Relationship skills		
Meet 2022 goals		

DISCUSSION: How do you determine your hot buttons?

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, typical areas in which these advantages are encountered 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? If you have a weakness, how do you counteract the advantage of the other party?

This section of the Negotiation Planner is partially completed based on the banker/manager example cited earlier.

BANKER'S STRENGTHS	
Advantage	How to Leverage?
Strong Performance	
Prior Mgt. Experience	
Interest from Bank	
Attention from CEO	

MANAGER'S STRENGTHS	
Advantage	How to Counter?
Salary and Job Control	
Knows New Structure	
Adept At Conversing	
Seems Willing to Wait	

STEP 2: ASSESS STRENGTHS

ANTICIPATING TACTICS

To get what they want, people employ different actions, or tactics, which may vary based on their personality types. If you consider these tactics in advance, you may be able to prepare a response which can offset the other person’s advantage. Likewise, if you have a negotiating advantage, you will need to consider how to best employ it to get what you want.

PERSONALITY

TACTIC

RESPONSE

Dominance

Influence

Supportive

Conscientious

DISCUSSION:

Is there a difference between simply stating a need (“Bank X has offered me a more attractive rate which will save thousands of dollars a year.”) and deliberately employing a tactic?

STEP 3: DEVELOP OPTIONS

ONE IS NOT ENOUGH!

Once you know the main needs and strengths of both parties, you are ready to build your plan. Using the next section of the Negotiation Planner, list all the negotiation areas such as price, etc. Next, create options for your opening position, a walk-away point, and intermediate option(s). List the options from the banker/manager example below.

TO BE NEGOTIATED	OPENING POSITION	COMPROMISE OPTION	WALK-AWAY POINT
Salary			
Bonus/Incentive			
Management role			
Title			
Location			
Improvement opportunities			
Result: A range of options acceptable to both parties	Best For Me	Best For Both	Best For You

MEETING THE NEEDS OF BOTH PARTIES

Understanding the main needs of both sides is the basis for constructing a range of options. If your opening position (or any other option) is not acceptable to the other person:

1. Offer an equal option, trading one element (i.e., rate) for another (such as term).
2. Offer a compromise option, giving away one of your needs, while asking for something in return.

DISCUSSION: What are some factors that affect your range of options?

Name some situations where you don't have any options.

STEP 4: NEGOTIATE AGREEMENT

DIFFICULT OR EASY?

The actual meeting with the other person may appear to be the most difficult step but can be the easiest-if the other steps have been done correctly.

Have you determined the main needs and strengths/weaknesses of both parties?

Have you developed workable options?

THE NEGOTIATION MEETING

SET THE AGENDA AND TONE

Let the other person know what you want to accomplish during the meeting and give him or her the opportunity to agree with or alter the agenda. Set a cooperative tone.

REVIEW AGREEMENTS

Start with the items on which you already agree. This creates perspective and starts the negotiation on a positive note.

OFFER CHOICES

Beginning with your opening position, offer your options in complete packages, all elements combined. If an option is not accepted, ask questions to determine the resistance.

AGREE ON CHOICES AND ESTABLISH NEXT STEPS

Once you've reached an agreement, review the decision, 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.

DILEMMA

WHAT IF YOU CANNOT REACH AGREEMENT?

Not every negotiation is successful. If you cannot reach an agreement, even at your walk away point, 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."

SKILL PRACTICE

Based on the background material you've studied; you will now participate in a negotiation with one of your classmates.

Your instructor will provide further instructions.

Looking Ahead

For copies of today's Power Point slides, an interactive Negotiation Planner, and other materials, please contact Mark directly.

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NEGOTIATION PLANNER

NEEDS

MY NEEDS	REASON	PRIORITY

STRENGTHS

MY ADVANTAGES	HOW TO LEVERAGE

OTHER'S NEEDS	REASON	PRIORITY

MY ADVANTAGES	HOW TO LEVERAGE

OPTIONS

TO BE NEGOTIATED	OPENING POSITION	COMPROMISE OPTION	(WALK AWAY POINT)

