



How to Negotiate Ethically

HCI Best Practices

Purpose:

The Board of Advisors selected this topic for the Travel Task Force to tackle this year with the purpose of accomplishing a few things:

1. Give guidance to our Bank Club Directors on how to negotiate ethically
2. Alert our Heritage Partners and PTOs on what to expect when negotiating with HCI Bank Clubs
3. Raise the general awareness that there are “good” and “bad” ways to negotiate and that HCI supports “good” negotiations between our Bank Club Directors and Heritage Partners
4. Encourage both HCI Bank Club Directors and Heritage Partners to create a “Code of Ethics” to guide all employees towards better decision making

General Statement of Intent:

All things being equal HCI Bank Club Directors and Heritage Partners would prefer to do business together. Both HCI Bankers and HCI Partners have an obligation to their ownership and constituents/members to negotiate with each other with the purpose to do business together that is satisfactory to both parties. This requires mutual understanding and respect. HCI Bank Club Directors go to great lengths to understand the travel business and the challenges Heritage Partners encounter on a daily basis to operate a successful business. Similarly, HCI Heritage Partners continue to learn what HCI Bank Club Directors face each day in making their clubs successful.

The greater the understanding of each other’s business, the greater the mutual respect. This allows for negotiations to be undertaken in a fair and ethical manner that will lead to more business being done between HCI Bankers and HCI Partners.

Good vs. Bad:

We have all grown up being taught the difference between Good & Bad; Right & Wrong. We have likely been taught that Ethics are black and white with no gray areas. “You know it when you see it” is a common refrain in trying to recognize “good” from “bad.”

What is often left unsaid is that deciding how to act can be both difficult and complex and may not have a simple answer or even a single answer. Every day we come across these complex circumstances that requires us to give careful consideration to our own actions.

This becomes doubly difficult when the business we are in may have bad practices that are considered “normal.” We say things like: “That’s how we’ve always done it.” Or “That’s what my competitor does.” Or “So long as I get the business, it’s OK.”

This is a dangerous path to follow, as bad practices beget bad practices. Alternatively, by using “good” practices, we will actually do “good” business together.

So, it becomes important to understand the general questions you need to ask yourself, which should help guide you through 90% of these ethical dilemmas. It is equally important to consider very practical examples that come up in every day work as you negotiate with each other.

10 QUESTIONS TO CONSIDER WHEN YOU'RE CONSIDERING

1. Is it legal?
 - a. It is always important to act legally. However, it is not enough to just ask this question as there are many, many things that are legal and yet unethical.
2. Is it the truth, am I being honest?
 - a. If I am actually lying or being dishonest, it is likely to lead to a bad outcome and demonstrates total disrespect for the person with whom you are negotiating.
3. Is it fair and beneficial to all concerned?
 - a. This often requires a broad understanding of both parties businesses so that you can evaluate if it is fair to everyone. Educate yourself in your own business and that of your client's/vendor's.
4. Will it build goodwill and better friendships in our community (industry)?
 - a. Heritage Clubs, the community banking industry and the travel industry are all small communities. We want to do business with people we like, so it is important to reinforce those relationships by building goodwill together.
5. Is it Safe for our customers?
 - a. We are responsible for our customer's safety. Sometimes a profitable decision or a shortcut passes all the tests, but we forget the most important one is the stewardship we are given by our customers for their welfare.
6. Do I want to do this?
 - a. This question allows you to push back if you feel you are being forced to do something that doesn't feel good. Whether the pressure to perform or someone specifically giving you a task you should always hesitate if it doesn't feel right to do something.
7. Do I feel good about my potential decision?
 - a. Gut check. This question asks you to look internally ask if you really feel good about the way you are about to act. If something doesn't feel right, it is probably wrong.
8. Do I want to tell my significant other or children what I did?
 - a. Guilt is a powerful ally at times. How willing are you to share your actions with those you love or how happy would you be to learn they acted in the same manner.
9. Will the long term impact of this decision on my company be good?
 - a. This asks you to consider your action in the long term. Sometimes what feels good right now does not look so good when viewed in the rearview mirror. Consider the long term impact of your choices.
10. Would I accept this if I were the other party?
 - a. The Golden Rule. Do unto others as you would have them do unto you. If you don't want the same thing to happen to you, then don't act that way to others.

You may answer Yes to many of these questions, but if you find yourself answering No to even one, then you may be making an unethical decision. Stop, think, and ask for help and support.

SOME PRACTICAL QUESTIONS WHEN NEGOTIATING WITH TRAVEL PARTNERS

Examples of Good business practices:

1. Is it OK to negotiate or should I just accept what I am given?
 - a. Not everything needs to be negotiated or should be negotiated and many things can't be negotiated.
 - b. Having said that it is not wrong to negotiate. Negotiation often begins before you are even given a price. When you tell a partner what you want and they give it to you, then you have already had a successful negotiation and don't need to negotiate further.
2. How do I tell a Partner I don't want to do business with them?
 - a. Be honest.
 - b. This is not easy, but it is actually appreciated by the Partner so that they can learn what they may have done to lose your business and not repeat it with other clients.
 - c. It is a waste of everyone's time to pretend to work with partners with whom you have no intention of actually contracting business
3. Should I solicit bids from multiple Partners?
 - a. This would be a good business practice, assuming you are planning to give them all an equal chance to win your business.
4. I really like something that a tour company does for me (special gifts, special surprises, etc) should I share these with other companies?
 - a. If there is something you like you should tell all your partners you would like that. There is no need and it would be unfair to share where you got the idea. This will help you compare prices from different companies on an equal basis.
5. Should I ask Tour Companies and Bus Companies for certificates of insurance and references?
 - a. This is a very good business practice. You are looking after the welfare of your customers and your bank by insuring you are working with outstanding, accredited companies.
6. Can I ask for Comps or commissions or both?
 - a. There is nothing wrong with making it clear what you need. Having said that not all companies work with the same policies. Some may offer you both and others may not offer you anything at all except the lowest possible price. It is up to you to place value on these things when making your final decision.
7. Should I negotiate deposit policies?
 - a. Here again, you should explain what you prefer. Some companies can work with you and some will need to adhere to strict policies. Also remember that some deposit policies are not established by your partner but may be set by your partner's partner.

For example, a tour operator may have a deposit required for an airline, which they may be limited as to how flexible they can be.

8. If I am not able to sell the minimum number of people required by my PTO, should I go back to them to see if we can make it work?
 - a. Absolutely. Here again, not all companies will work with you the same way, but those that can work with you will also expect the bank to give something to make the higher price work – comps, commissions, etc. may need to be forgotten to make the price work with lower numbers of passengers.

Examples of Bad business practices:

1. Should I solicit bids from multiple Partners if I have actually already made my selection?
 - a. This would be considered a bad business practice. You are causing a Partner to spend valuable time bidding on a piece of business for which they have no chance.
2. When I tell a Partner I have already made a decision and they press me to let them give a quote, what should I do?
 - a. This is the case where a Partner is using a bad business practice. They should not be putting you in a position to change your mind when you have already committed to another company. It is best to tell them firmly that you have already made your commitment to another company.
3. When comparing multiple bids can I share the price I got from one company with the other company so that I can get a lower price?
 - a. This is considered a bad business practice. Feel free to tell each company what price you would like, but do not tell either one that you determined that price based on a specific company's proposal.
4. Should I ask a tour company how much money they are making on the trip?
 - a. This is a bad business practice. You should be focused on your business not theirs. Tell them what you need for a price and it is their job to make it work. The Tour Operator's profits vary widely from company to company and from circumstances to circumstances. In the end, it is your profitability you need to be focused on – not theirs.
5. I have been negotiating with a tour operator and gotten many of the details finalized including the name of the hotel we will be using on the trip. Is it OK for me to forget about the tour operator and plan the trip myself and use the same hotel they recommended?
 - a. This is an example of some of the worst business practices. You have decided to "use" the tour operator for their expertise and then chosen to steal their ideas and not compensate them in any way. There is an expectation by the tour operator that the information they are giving you is proprietary and is not going to be used except with them and they will benefit by producing a tour and being compensated for their expertise. Taking anyone's "stock in trade" and making them your own is a bad business practice. To go even further and use the actual properties they told you about is especially bad business practice.

6. I have received a proposal from a partner that I am really not interested in, and now the partner calls repeatedly and wants to know my decision. I have decided not to take or return their calls/emails.
 - a. This is an example of a bad business practice. You will do yourself and the partner a favor by being honest and tell them you are not interested. They can get on with other prospects and you don't have to worry about them calling you on that particular question anymore.
7. I meet with Heritage Partners and Preferred Tour Operators every year, but I have my own preferred partners who are not amongst them, so I don't use them much.
 - a. HCI bankers are successful because they build strong relationships with their own members, which translates to greater deposits and purchasing other banking services.
 - b. HCI is an organization founded on that same loyalty and relationship building.
 - c. Our partners would be as disappointed to be ignored by our bankers as you, a banker, would be if your customers decided to bank elsewhere despite all your best efforts.
 - d. HCI partners are responsible for keeping the costs of our annual conference affordable for our banks through their sponsorships and attendance at the conference.
 - e. We highly encourage you to consider our partners whenever possible.

Specific practices for FAM tours:

1. HCI FAM Tours

- a. General: Each year at the Annual Peer Group Conference HCI requests that the host destination plans a Pre-Fam tour for any and all bank club director delegates. It is understood that this is an opportunity for our host destination to showcase the region to excite our HCI Bank Club Directors to return with groups in the future. It is also understood by HCI and the Host Destination, that this is valuable time for our Bank club Directors to network amongst themselves and get warmed up for the conference.
- b. Expectations: The host destination understands that not everyone coming on the FAM is planning a trip to return with their customers. Their only expectations is that you will be attentive and open minded and if you like what you see then you will return.
- c. Obligations: HCI Bank Club Directors are under no obligation to return to the host destination with a group. However, if you do return it is expected that you will want to work with some of the travel partners you met along the way.

2. Tour Operator FAMs

- a. General: Periodically a PTO will invite you to go on a FAM with them. This may be because you have shown an interest in that destination or just because they think that once you visit you will want to return. PTOs have gone through great expense themselves and their partners to make the FAM possible for you.
- b. Expectations:
 - i. It is understood that if you are excited about the destination and you are happy with the PTO that you will book your future tour with that PTO. It is very bad business practice to return to that same destination with another tour operator.
 - ii. If you like the destination but not the PTO, then you should explain to the PTO what issues you are concerned about. It is then the PTOs responsibility to try and make you reconsider and travel with the PTO.

1. If you still choose not to travel with the PTO, then it is understood that you will not share any of the information you learned with another tour operator when making your arrangements.
 2. If this is a destination you will be planning on your own (not using a tour operator), then you should not in any way represent yourself as being associated with that PTO when booking your partners. If you wish to use any of the partners you visited on the FAM, you should ask your PTO if it is OK for you to contact them directly.
- iii. If you liked the PTO but not the destination or the specific tour, then work with that PTO on another trip or itinerary. The PTO will want whatever business they can do with you, all of which will help recoup the investment they made in you on the FAM.
- c. Obligations: It is understood that you will be fair and honest with the PTO. They have made a substantial investment in teaching you about a new destination and that you will do everything in your power to book a trip with them in the future.
 - d. Prize: If you win a prize (as often happens at Peer Group conferences) to take a free trip with one of our PTOs, you are under no obligation to offer that destination to your customers if you feel it is not right for your customers. However, if you do choose to offer the destination and it is because you took that trip, then it would be good business practice to book that trip with the PTO from whom you won the prize.

BAD BUSINESS PRACTICES FOR FAM TOURS

1. You have already booked a future tour with a PTO to a destination and then go on a FAM tour from a different PTO so that you can learn more about the destination before your trip departs.
 - a. Preferred Action: Do not take the FAM
2. You decide to accept a FAM invitation to a destination about which you are personally excited, but you either have no intention of offering the destination to your members or you are not allowed to by your bank.
 - a. Preferred Action: Do not take the FAM
3. You decide to accept a FAM invitation and tell the tour operator that your spouse is a decision maker when they are not in that position at the bank, but you want them to go with you on the FAM. Many PTOs will invite spouses but may offer it at a different price.
 - a. Preferred Action: Take the FAM. Be honest and pay the difference if it is offered.
4. You are really looking for a nice vacation and want to just kick back and not take the FAM educational experience seriously.
 - a. Preferred Action: Take the FAM, but keep an open mind and treat everyone with respect and take the time to learn what they are teaching.

Conclusion:

It is not only good on a moral and ethical standpoint to act ethically, it is also far more enjoyable with a lot less stress. Be aware that there are many pitfalls and situations where you can find yourself facing an ethical question or even a dilemma. Take your time, think it through, ask yourself those 10 Key Questions and you will likely make the right choice.

Also, please understand that while we think these ethical questions and their proper responses are universal, this is the opinion of Heritage Clubs International. We are adopting this document as our Best Practices to help us all be better at what we do. In the HCI Code of Ethics this document will help us determine if our members are behaving within our Code of Ethics and can make a difference in whether or not they remain a member.

We want good businesses to do good things, and we believe these guidelines will help us all.

LET'S DO GOOD BUSINESS TOGETHER!