

NEGOTIATIONS

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NO FINANCIAL DISCLOSURES

There are many contexts in which you negotiate – too numerous to count – all sorts of big and small matters	Not everyone has received formal education in “negotiations”	Certain situations are not amenable to “winging it”
Basic constructs and terminology	The “Bargaining Template” by Richard Shell	Stimulation for further study

OPENING COMMENTS

According to G. Richard Shell:

- *A negotiation is an interactive communication process that may take place whenever we want something from someone else or another person wants something from us*

Other acceptable definitions exist – and it's not always about money

WHAT IS A “NEGOTIATION”?

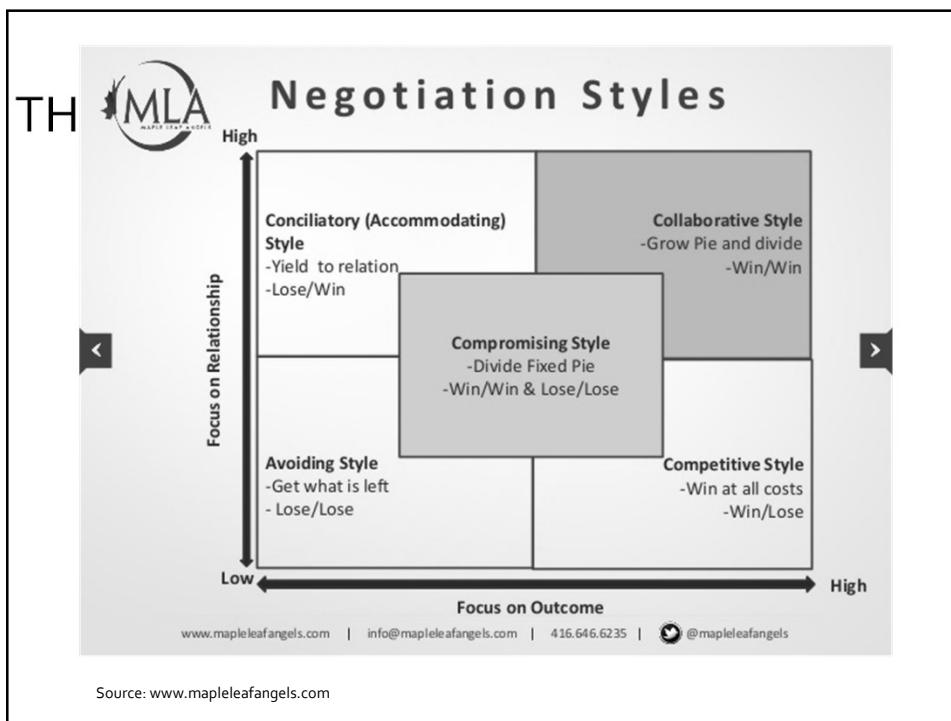
NEGOTIATION TERMINOLOGY

- **Aspiration Level** - (sometimes called Target Point) - what one would ideally like to achieve
- **Reservation Price** - (sometimes called Resistance Point) - bottom line, the most/least you are willing to give/accept
- **BATNA** - Best Alternative to a Negotiated Agreement
- **Bargaining Zone** - the zone between the two initial offers
- **Settlement Zone** - where settlement occurs, between the parties' reservation prices

NEGOTIATING STYLES



- Avoiding
- Compromise
- Accommodation
- Competitive
- Collaborative



AVOIDING

"I lose, you lose"

People may use because:

When to use:

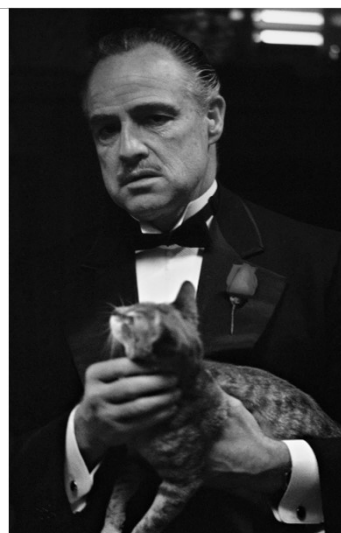
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|---|---|
| <ul style="list-style-type: none"> • They don't like negotiating • People they negotiate with are competitive • They don't mind losing as long as you lose | <ul style="list-style-type: none"> • Item is trivial to both sides or the time investment is not worth it in the end • Too much emotion – it's a "time out" • You are not prepared |
|---|---|

COMPROMISE

- “I lose/win some – You lose/win some”
- Compromising = type of haggling; some type of splitting the difference of the opening position
 - People with initial extreme positions get better deal
- Pushed for time, you trust the other person
- Make sure you’re winning the right things
- Reduces strains on relationships

ACCOMMODATION

- “I lose, you win” – relationship is everything – will give up products, services and information
- Are well-liked by their colleagues
- When to use:
 - When you need to repair your company’s reputation or repair relationship
 - You have a bad position – exit gracefully



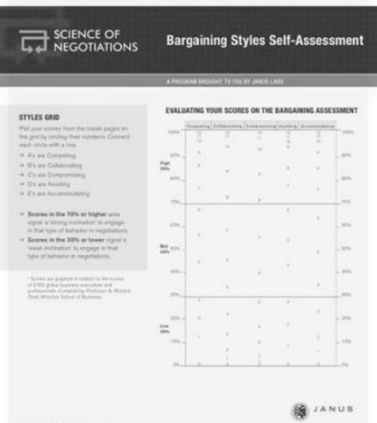
COMPETITIVE



- "I win, you lose" – Gordon Gekko-style
- When to use:
 - You need results quickly
 - You're opponent has a similar style – "fighting fire with fire" – be careful – you could burn the entire place down
 - One time transaction (like a house)
 - When selling a commodity

COLLABORATIVE

- "I win, you win" – don't confuse with 'compromising' style
- You can revert to other styles if needed
- Your needs will be met – and so will the other sides'
- Innovative solutions – expanding the pie
- When to use:
 - Should be your primary style – it is a good blend of the others – but be flexible to change



IDENTIFY YOUR PERSONAL NEGOTIATING STYLE

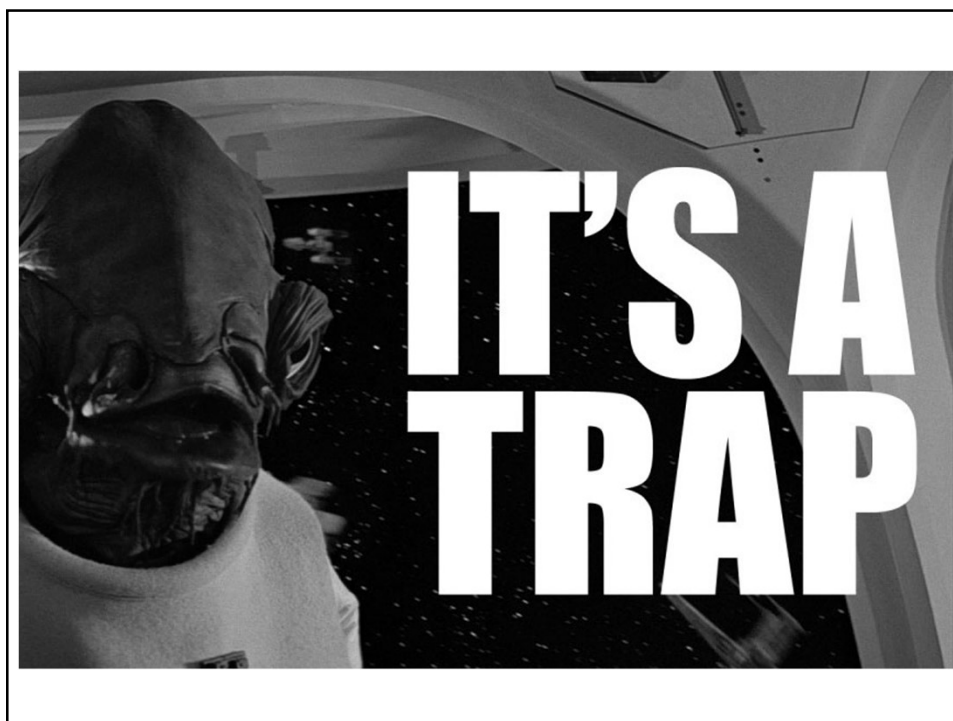
- Gives you perspective regarding your tendencies
- Tool for self-awareness
- Not set in stone – skillful people can move from one style to another when needed

IMPORTANCE OF SETTING A TARGET

- It's good to have goals – better to have appropriately high expectations
- Where do you want to go – and why?
- What you aim for often determines what you get:
 - Goals set upper limits and lower limits
 - Setting goals concentrates and motivates people
 - Commitment = persuasiveness
- Difference between goal and expectation = attitude
- Parties with higher but realistic expectations do better than people who are bottom line dwellers

RECIPROCITY

- “Duties that people owe one another, not as human beings, or as fellows members of a group, or even as occupants of social statuses within the group, but rather because of the prior actions. We owe others certain things because of what they have previously done for us, because of the history of previous transaction we have had with them”
– *Dr. Alvin Gouldner in BFA*



RECIPROCITY HAS RISK!

Trusting Too Quickly

- Trusting people think others are also play fair
- May take too big of risks early on and do not get enough assurances from other side
- Slow it down, one step at a time – small transactions
- Check relationship network

Reciprocity Traps

- Ploy to trigger reciprocity (free address labels in mail with envelope for a charity)
- Give you something small and ask for something big
- Don't crumble under pressure to reciprocate
- Take a break – consider what they are asking

CONSISTENCY TRAPS

- Opponent will use your standard (that you agreed to) against you
 - Will be confronted with an implication of the standard in a configuration that is against your interest
 - Intellectual coercion
 - "Do you like to see children starving? No? Well, for \$25.95 a month, you can help a child. Can I sign you up?"

BALANCE OF NEEDS AND FEARS

- Paying close attention to others in a negotiation is not for THEIR benefit – it's for YOURS!!!
- Leverage derives from the balance of needs and fears
 - Dynamic situation – will change throughout the process
- Who controls status quo? Who is trying to change it?
 - Parties who control the status quo (and are comfortable with it) usually hold the upper hand
- Threats must be credible
 - Similar to playing with fire – things can burn down
 - They have to be credible (you will follow through and it will hurt your opponent – and not cause self-inflicted wound)

VISION FOR OPPONENT – NO DEAL = LOSS

To gain leverage – must convince opponent that no deal will mean "pain" for them as well

At times, less about "what I am getting" and more about "what I am losing"

Delicate balancing act – many different interests at play

This is why the best negotiators understand "leverage"

LEVERAGE: MORE IN-DEPTH

- BATNA
 - The better my BATNA, the better my leverage
 - "I'm not agreeing to your terms of employment because I have 2 other offers including one where I get my own speed boat"
 - Not always the magic bullet – alternatives not always the best
- Failure to agree = biggest loser?
 - "The other guys are giving me a speed boat...but I'd rather work for these guys because they are a better company...BUT they don't negotiate salary."
 - Who needs the deal done the most = leverage
- Have to be constantly checking the levers – leverage can change quickly

TIPS FOR IMPROVING LEVERAGE

- Attempt to alter the situation – shift loss potential to your opponent
 - Gain information – LISTEN!!!!
 - Figure what they want...or need
 - Acquire power to make other side worse off
 - Use normative principles, consistency arguments
 - Commit to a course of action that applies gentle but steady pressure
 - Improve BATNA – without needing other party's cooperation

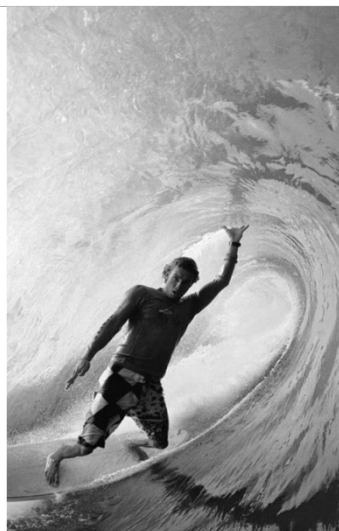
LEVERAGE ≠ POWER

- Leverage is situational advantage – not objective power
 - A 7-year old can get leverage on you regarding eating carrots
 - You cannot force carrots into her mouth – and she remembers that you said that vegetables are “important”
 - What now? Bribes? Threats?
- Have to be careful – don’t confuse the two
- Leverage is NOT conventional social or economic power



LEVERAGE ≠ CONSTANT

- Dynamic situation that changes with the course of negotiations
- Have to sense when the shifts are occurring
- Timing is important because you want to ask for the high value thing when your leverage is peaking



LEVERAGE ≠ FACT-DEPENDENT

- Based on opponent's PERCEPTION – not facts
- What your opponents feels regarding your leverage
- It cuts both way – be alert – they may not believe you have leverage when you do!



FOUR STEPS OF NEGOTIATION



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"Explain it again how giving me a 2% raise would destroy the ozone, weaken our schools, deplete the whale population, and lead to even greater conflict in the Middle East."

- Preparation
- Information exchange
- Proposing and concession making
- Closing and commitment

SKILLED NEGOTIATORS AND PLANNING



- Skilled negotiators spend 4x more time on possible shared or complementary interests (less on own goals/areas of conflict)
- Requires judgment, experience and imagination

"Instead of a pay raise, I'm adding you to my friends list on Facebook."

MATCHING SITUATION, STRATEGY AND STYLE

Perceived Conflict Over Stakes

Outcome

High

Low

Relationship

High

Low

<p>I. Balanced Concerns</p> <ul style="list-style-type: none"> • Business partnership, joint venture, merger • Collaboration, compromise 	<p>II. Relationships</p> <ul style="list-style-type: none"> • Marriage, friendship, work team • Accommodation, collaboration, compromise
<p>III. Transactions</p> <ul style="list-style-type: none"> • Divorce, house sale, market transaction • Competition, collaboration, compromise 	<p>IV. Tacit Coordination</p> <ul style="list-style-type: none"> • Highway intersection, airplane seating • Avoidance, accommodation, compromise

EXCHANGING INFORMATION

- Surprising or ambushing people might get you acute advantage – long terms effects of this can be negative
 - Both sides better prepared = more fruitful negotiation
- Find out about opponent's interests and desires
- Consider cultural context
- ASK MORE QUESTIONS!!!
 - Extract important information
 - Test your own understanding of situation
 - Summarize opponent's position and thinking
 - People appreciate attentive audiences

SHOULD I BE FIRST TO OPEN?

- Some people say you should NEVER open – it's not that simple!
- If you know the bargaining range (and other important info) – it can be to your advantage to open so can limit the range
- "Anchor and adjustment" – tendency to make adjustments based on the number that was just thrown out
 - Numbers have to be realistic

GOOD COP/BAD COP



- Favorite of competitive negotiators
- The bad cop says such crazy things that the good cop's proposal sounds reasonable (even though it's probably against your best interest!)
- Consider calling out the technique – find out who is the decider

CLOSING AND COMMITMENT



INJECTING URGENCY BY USING SCARCITY EFFECT

- “Scarcity effect” – humans tend to want things more when they think it supply will run out
 - That’s why people buy eggs, bread and milk before a storm – because the supply may run out – who eats this stuff in the middle of a storm???!?
- Scarcity can increase the value of something
- This can become a factor in closing a deal

SCARCITY EFFECT

Competition

- Great demand, supply is dwindling so “act now”
- Bluffing amplifies the scarcity effect – “if you don’t put an offer on my house, there is a couple coming back later tonight...who may buy it”

Deadlines

- Time runs out = opportunity runs out; here today, gone tomorrow
- Double strength = have a deadline AND the supply may run out!
- Set time limit on certain elements of offer – ex. Black Friday sales (after 10am, you only get 25% off instead of 40%) – “exploding terms”

LEVERAGING LOSS AVERSION

- Slot machines, trying to break even on completely losing stocks (instead of selling them)
- The more time you spend = more commitment to closing
- Be careful regarding people who string negotiations out just to build your time commitment – you're less likely to walk away
 - We've been negotiating for 5 hours, we're so close! Would you mind throwing in the jet ski into the deal?

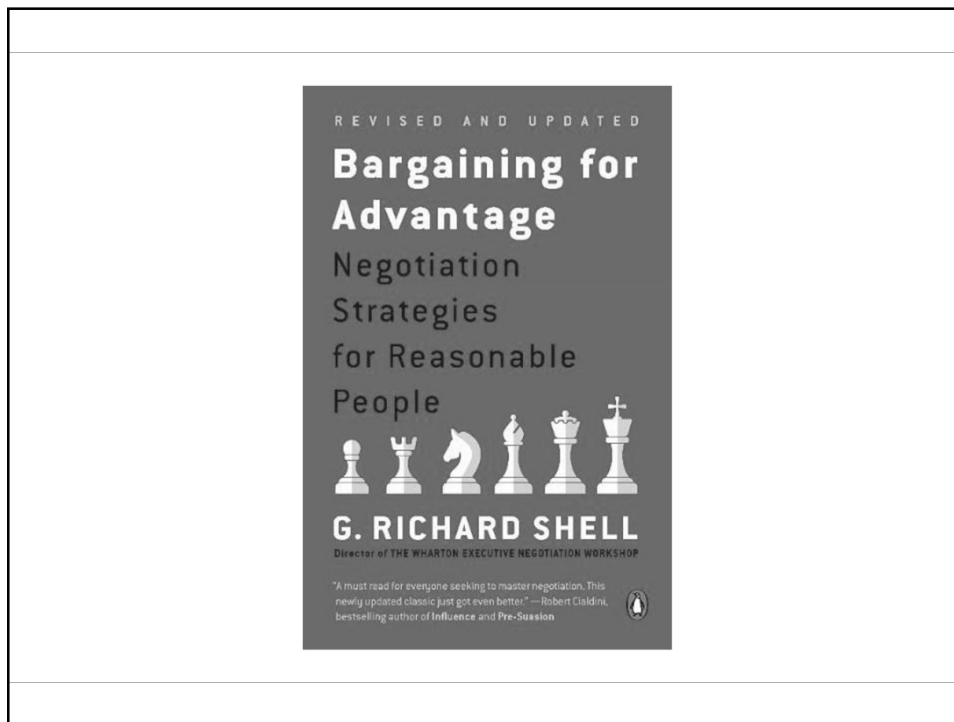
AGREEMENT ≠ COMMITMENT

- Goal is to get a commitment – the gold standard
- Agreement = person is willing to do something as promised – very little risk
- Commitment = costly either financially or socially to back out – higher risk

Social Ritual	Public Announcement	Accountability	Simultaneous Exchange
Hand shakes, bows, hugs, giving your word	Sharing a meal, "I now introduce to you to Mr. and Mrs. Jones!"	Written agreements, verbal contracts more problematic to enforce	Hand over title and receive a check

FOUR DEGREES OF COMMITMENT

BARGAINING TEMPLATE



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SELECTED REFERENCES

- Shell GR. Bargaining for Advantage – Negotiation Strategies for Reasonable People, 3rd edition.
- Steinberg and D’Orso. Winning with Integrity – Getting What You Want Without Selling Your Soul.