NEGOTIATIONS

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NO FINANCIAL DISCLOSURES
TEACHING EXPERIENCE

- UI Tippie School of Management Executive MBA Program
- UI Tippie College of Business Full-Time MBA Program
- UI Carver College of Medicine Distinction Track in Health Care Delivery Science and Management
- UI Executive Master’s Health Administration Program Seminar
- UIHC Executive Leadership Academy Seminar
- UIHC Emergency Medicine Residency Program
- Professional Organizations
<table>
<thead>
<tr>
<th>Basic constructs and terminology</th>
<th>Not everyone has received formal education in “negotiations”</th>
<th>Certain situations are not amenable to “winging it” – new academic chair position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The “Bargaining Template” by Richard Shell</td>
<td>Stimulation for further study</td>
</tr>
</tbody>
</table>

**OPENING COMMENTS**
WHAT IS A “NEGOTIATION”?

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.
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
Negotiation Styles

- **Conciliatory (Accommodating) Style**
  - Yield to relation
  - Lose/Win

- **Compromising Style**
  - Divide Fixed Pie
  - Win/Win & Lose/Lose

- **Avoiding Style**
  - Get what is left
  - Lose/Lose

- **Collaborative Style**
  - Grow Pie and divide
  - Win/Win

- **Competitive Style**
  - Win at all costs
  - Win/Lose

Source: www.mapleleafangels.com
AVOIDING

“*I lose, you lose*”

People may use because:

- They don’t like negotiating
- People they negotiate with are competitive
- They don’t mind losing as long as you lose

When to use:

- 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
### AVOIDING

<table>
<thead>
<tr>
<th>Danger</th>
<th>Self Defense</th>
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<tbody>
<tr>
<td>• Greater urgency = you will lose this negotiation (be careful regarding sharing urgency)</td>
<td>• Set clear expectations</td>
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<tr>
<td>• Decreased communication – resentment builds (avoiding conflict can actually backfire)</td>
<td>• Escalate the situation – understand who ultimately is making the decision</td>
</tr>
<tr>
<td></td>
<td>• Attempt to agree on a process to break the stalling</td>
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</table>
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
COMPROMISE

<table>
<thead>
<tr>
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<tr>
<td>• Not prepared? I will compromise! (bad idea)</td>
<td>• Only retreat when there is solid reason to do so – and get rewarded</td>
</tr>
<tr>
<td>• The other party thinks you will make more concessions</td>
<td>• Trade across many goals</td>
</tr>
<tr>
<td>• Most ambitious opening = you’ll get a better deal</td>
<td>• Don’t give in (compromise) too early</td>
</tr>
<tr>
<td>• You’ll get a “reputation” – openings get more extreme</td>
<td>• Identify extreme positions early – “call out”</td>
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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
# ACCOMMODATION

<table>
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<tr>
<th>Danger</th>
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<tbody>
<tr>
<td>- Accommodate = weakness?</td>
<td>- Don’t be lured into reciprocating more than what you received</td>
</tr>
<tr>
<td>- Give away value early – then you have nothing to offer</td>
<td>- If they give away the farm and go out of business – you may NEED them in business - “friendly fire”</td>
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<tr>
<td>- Give away things – you have “deep pockets” impression</td>
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<tr>
<td>- Not the only way to build strong relationship</td>
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<tr>
<td>- Do your homework – you have value</td>
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</tbody>
</table>
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
COMPETITIVE

Danger

- Used too much – they get ready for you
- Too much compete – things lock down – no progress
- All or nothing – “high compete or avoid” style
- You burn bridges – people plot revenge

Self Defense

- Stand firm – don’t cave in
- Don’t give away concessions because you’re intimidated
- Never reward bullies
- Use clear language that is strong – “We require”
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
<table>
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<tr>
<td>• If they are competitive – don’t be overly collaborative – situational awareness</td>
<td>• A collaborative style is not good for you – need to decide what style you will use</td>
</tr>
<tr>
<td>• Share equal value information</td>
<td>• Pick and choose who you collaborate with carefully</td>
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<tr>
<td>• Need time and the right people – don’t waste either</td>
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</table>
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
RECIPIROCITY

- Short term
  - Within the course of a current negotiation – minute to minute

- Long term
  - Deals done long ago

- Don’t assume there is a time limit

- “Code of Behavior”
  - Be trustworthy and reliable
  - Be fair to people who are fair to you
  - Let others know when you feel you have been unfairly treated

- Reliable guide of proper conduct
IT'S A TRAP
RECIROPCITY HAS RISK!

<table>
<thead>
<tr>
<th>Trusting Too Quickly</th>
<th>Reciprocity Traps</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trusting people think others are also play fair</td>
<td>• Ploy to trigger reciprocity (free address labels in mail</td>
</tr>
<tr>
<td>• May take too big of risks early on and do not get</td>
<td>with envelope for a charity)</td>
</tr>
<tr>
<td>enough assurances from other side</td>
<td>• Give you something small and ask for something big</td>
</tr>
<tr>
<td>• Slow it down, one step at a time – small transactions</td>
<td>• Don’t crumble under pressure to reciprocate</td>
</tr>
<tr>
<td>• Check relationship network</td>
<td>• Take a break – consider what they are asking</td>
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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?”
CONSISTENCY TRAPS

- How do I defend myself?
  - Be alert
  - When they ask probing questions (trying to set you up), slow the pace down – ask why you are being asked these things
  - If you agree to a standard, use broad terms, leave wiggle room

- What if you get trapped?
  - Adjust your position to be consistent
  - Hold your ground (despite your standard)
THE PEOPLE

- Negotiations are about people (even though there is a heavy dose of financials, etc.)

- “Trust”
  - Intensity and quality of the negotiation affected
  - You deal with people you trust differently (amount of information you share, negotiating position, body posture)
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.”
Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.

(Archimedes)
LEVERAGE

- The power to reach an agreement – on YOUR OWN TERMS!!
- With leverage = average negotiators can fare relatively well
- Without leverage = need more highly skilled negotiators for success

"It's ok, he's signed - release his children."
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”
TYPES OF LEVERAGE

Positive Leverage

- Needs based – when they say “I want or need” – you should smile!
- Figure out what your opponent wants...or needs

Negative Leverage

- Threat based – can cause negativity – use carefully
- Gets peoples’ attention
- Can be explosive
- If someone uses a threat on you – need to respond in appropriate fashion – don’t be bullied
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

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

"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."
NEGOTIATION STEPS

- For the most part – all four steps occur
- Pacing and sequence may differ based on complexity of negotiation
- May have impasse at one step and will retreat to earlier step to re-group
- If negotiating multiple things, the various items may be in different stages of negotiation (A and B get done but C is still in the 1st step)
- Speed of these steps may differ based on culture (Western vs. Eastern culture)
MATCHING SITUATION, STRATEGY AND STYLE

I. Balanced Concerns
• Business partnership, joint venture, merger
• Collaboration, accommodation, compromise

II. Relationships
• Marriage, friendship, work team
• Accommodation, collaboration, compromise

III. Transactions
• Divorce, house sale, market transaction
• Competition, collaboration, accommodation, compromise

IV. Tacit Coordination
• Highway intersection, airplane seating
• Avoidance, accommodation, compromise
EXCHANGING INFORMATION

- Surprising or ambushing people might get you acute advantage – long term 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
PROBE FIRST, DISCLOSE LATER

- Information = power
- By finding out what the other side currently has and what they want – you size up your leverage in the situation
- Can be tricky because no one wants to go first
- Get to shared priorities
- Take it slow – talk less in the beginning, listen more
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
SHOULD I BE FIRST TO OPEN?

- Open first if you have done your homework and opening may allow you to take control
- If not, hold back—protect yourself against the anchor effect—have other party open if they will
- Making opening move is less risky if your opponent cares about you—if they don’t—be careful
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?
CAN’T CLOSE…NOW WHAT?

- Impasses will occur during concessions phase
- Always leave a back door open to return to the table
- Allow your opponent to return to the table – goal is to get a deal that works for both parties

- Can’t get on track? Change negotiators?
- “One small step procedure” – one visible small step towards other side then reciprocation can get the ball rolling
- None of this is working? May need 3rd party to help
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
<table>
<thead>
<tr>
<th>Social Ritual</th>
<th>Public Announcement</th>
<th>Accountability</th>
<th>Simultaneous Exchange</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hand shakes, bows, hugs, giving</td>
<td>Sharing a meal, “I now introduce to you to Mr. and Mrs.</td>
<td>Written agreements, verbal contracts more problematic to enforce</td>
<td>Hand over title and receive a</td>
</tr>
<tr>
<td>your word</td>
<td>Jones!”</td>
<td></td>
<td>check</td>
</tr>
</tbody>
</table>

FOUR DEGREES OF COMMITMENT
BARGAINING TEMPLATE
Information Based Bargaining Template


**Problem Statement I:** I must negotiate with person to (solve what problem)

**I: The Problem:**

- **My specific, high expectations**
- **Target decision maker**
- **Bottom line:**
- **Influencers (should I negotiate with these people first?)**

**II: Goals and Decision Makers**
### III: Underlying Needs and Interest

<table>
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<tr>
<th>Mine</th>
<th>Theirs</th>
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</table>

(Shared/Ancillary/Conflicting)
What do I lose if there is no deal?

What steps or alternatives will reduce these losses?

If no deal, what will they lose?

Can I influence their alternatives or make their status quo worse?

- Me
- Other Party
- About Even

Who has the most to lose from overall from 'no deal'?

III: Leverage

Options: Build on shared interest/Bridget  Conflicting Interests/Be Creative

V. Possible Proposals
## VI: Authoritative Standards and Norms

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<tr>
<th>Mine</th>
<th>Theirs</th>
<th>My Counter Arguments</th>
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</table>
Can I use a third party as leverage? As an excuse? As an audience? Coalition partner?

VII: Third Party Moves

VII: Situation and Strategy Analysis

IX: Best Modes of Communication

<table>
<thead>
<tr>
<th>Agent</th>
<th>Teleconference</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Face to face</td>
<td>Telephone</td>
<td>Instant Messaging</td>
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</table>

Situation as I see it is:
- Transaction
- Relationship
- Balanced
- Concerns
- Tacit Coordination

My Basic Style is

So I need to be more _________ in this situation.

Situation as they see it is:
- Transaction
- Relationship
- Balanced
- Concerns
- Tacit Coordination

Their expected strategy
- Competitive
- Problem solving
- Compromise
- Avoiding

X: Overall Positioning Theme

A short statement that sums up your underlying purpose in this negotiation
NEGOTIATIONS

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SELECTED REFERENCES

- Steinberg and D’Orso. Winning with Integrity – Getting What You Want Without Selling Your Soul.