

# **DEVELOPING NEGOTIATION SKILLS**

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# My Background

- Chair and DEO Department of Urology at the University of Iowa-2010
- MBA in 2007
- Chair Product Line Oversight Committee UIHC-2009
- Chair of the Finance Committee for the UIP-2014
- Chair Enterprise Finance Committee for UI HealthCare-2018

# Definition

- Negotiation is discussion aimed at reaching an agreement



# Essential Elements of Negotiation

- Preparation
- Objectivity
- Strategy
- Technique/Tactics

# Preparation

- **BATNA**: Best Alternative to a Negotiated Agreement.
- BATNA is something you need to know and make as strong as possible before entering the negotiation.
- Your BATNA will dictate when you “walk away.”
- Don’t disclose your BATNA too soon.

# Preparation

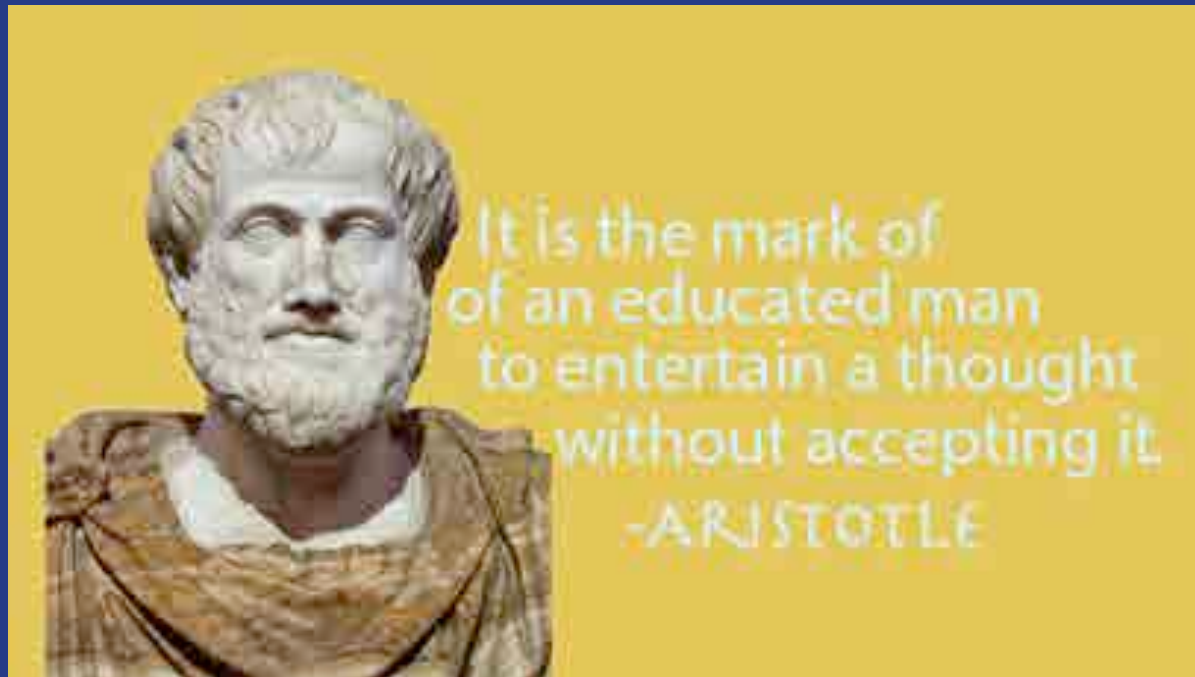
- Know your goals.
- What would constitute a successful negotiated settlement?
- Find out all you can about the other party.
- Establish your bargaining range. **Anchoring** is an attempt to establish a reference point (**anchor**) around which a **negotiation** will evolve and will often use this reference point to make adjustments

# Preparation

- Know your target.
- Don't start the negotiation where you want to end up.
- Know your leverage points: "What are you willing to give up?"
- Anticipate what the other party wants: "Put yourself in their shoes."

# Objectivity

- Not influenced by personal feelings or opinions in considering or representing facts



Aristotle image: [https://commons.wikimedia.org/wiki/File:Aristotle\\_Altemps\\_In8575.jpg](https://commons.wikimedia.org/wiki/File:Aristotle_Altemps_In8575.jpg) [Public domain], via Wikimedia Commons



# Objectivity

- Truthful
- Fair and unbiased
- Open minded
- Neutral and nonpartisan
- In negotiations, separate the people from the problem.



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# Objectivity and Emotions

- **Selling the family home**

- Objective view: It's bricks and mortar.

- Emotional view: It's where we brought our first child, had our parents 50<sup>th</sup> anniversary party, etc.

- **Selling a blue chip stock you've held for years**

- Objective view: The company doesn't know you or love you, so sell when it is best for you.

- Emotional view: It has paid me dividends every year for 30 years, so I love that company.

# Strategy

- How do you decide what strategy you are going to use in a negotiation?

You are going to buy a car from a salesman you don't know. What is your **strategy**?



Marvel Star Wars 4: In Battle with Darth Vader, Marvel Comics, 1977

You are going to buy a car from your coworker. What is your **strategy**?



Cadillac Man. Directed by Roger Donaldson. 1990



You are going to buy a car from your mother. What is your **strategy**?



[https://commons.wikimedia.org/wiki/File:Whistlers\\_Mother,\\_James\\_Abbott\\_McNeill\\_Whistler\\_cropped.jpg](https://commons.wikimedia.org/wiki/File:Whistlers_Mother,_James_Abbott_McNeill_Whistler_cropped.jpg) [Public domain], via Wikimedia Commons

# Strategy

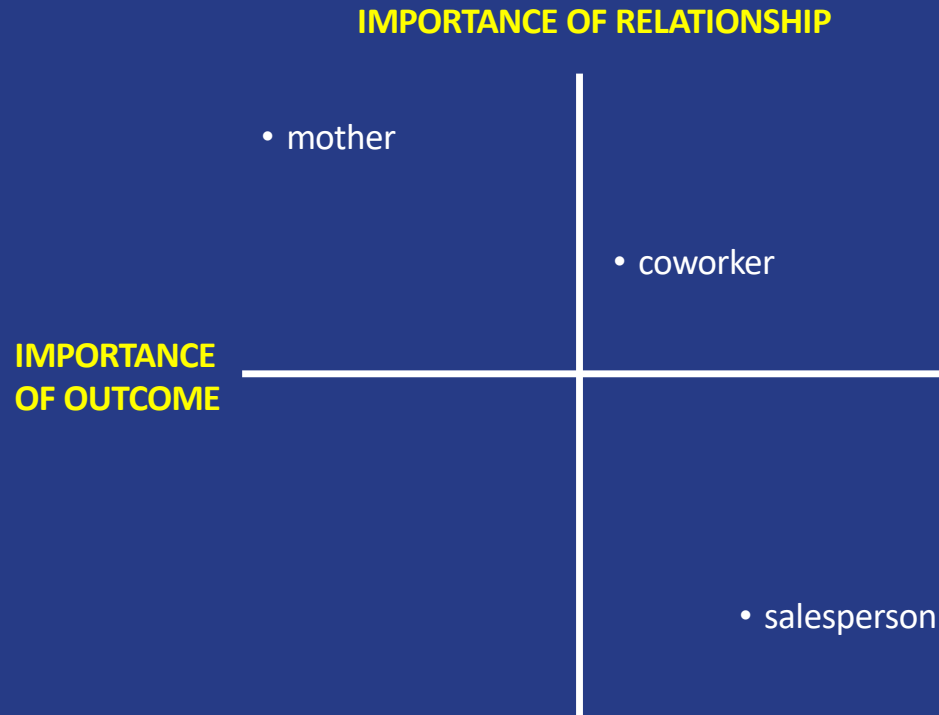
- What factors affect your choice of strategy?
  - one time negotiation?
  - recurring need to negotiate?
  - importance of the outcome?
  - importance of the relationship?

# Strategy

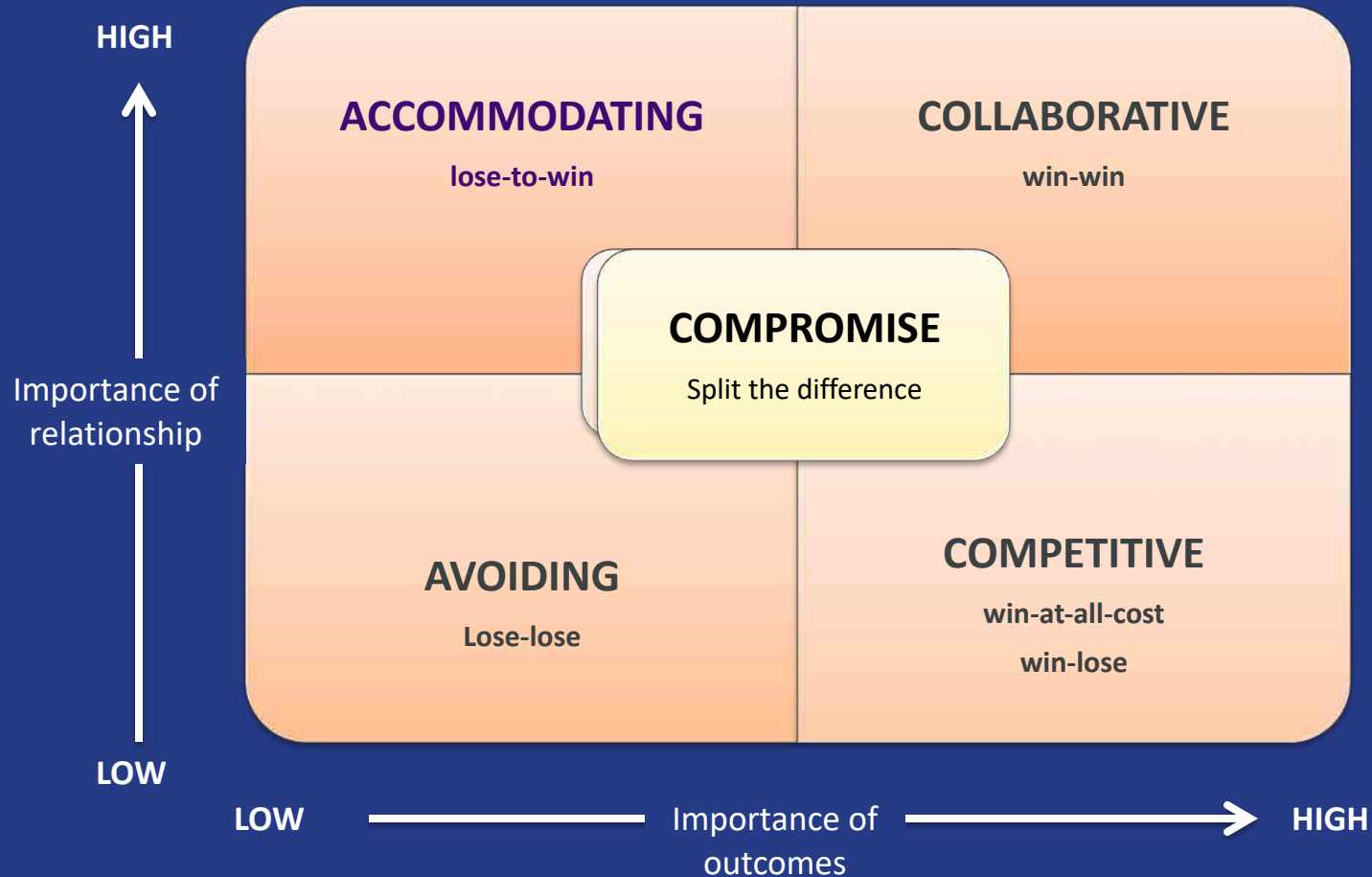
- In choosing a strategy, you have to decide if you are negotiating a transaction or a relationship?



# Selecting a strategy



# Strategies



For a win-win negotiation, there has to be something **shared**.

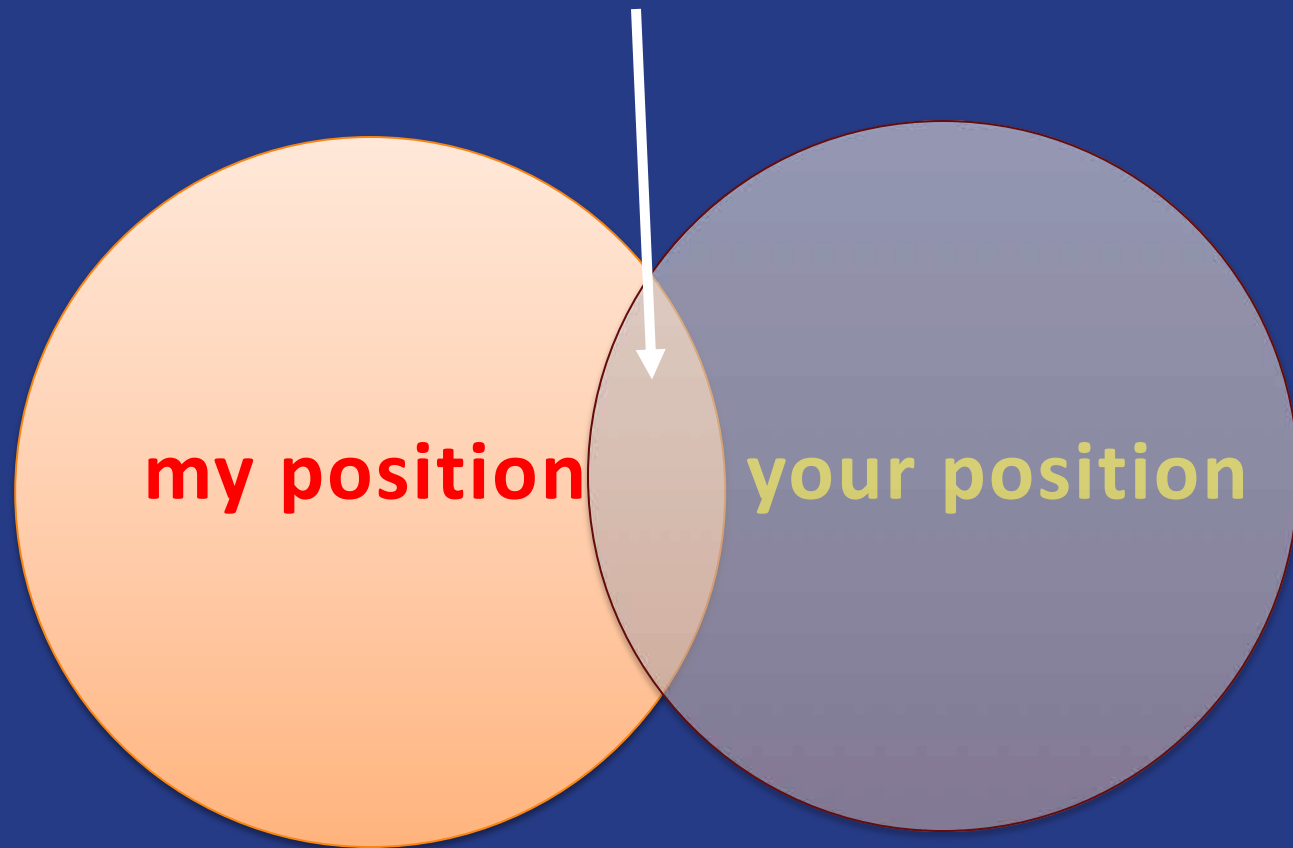
A large orange circle with a thin dark outline, containing the text "my position" in red.

**my position**

A large light pink circle with a thin dark outline, containing the text "your position" in green.

**your position**

For a win-win negotiation, there has to be a **surplus** to negotiate.



# Win-Win Example

- **Buying a house**
  - I'm in the market for a house. I want to spend 450K, but the top of my budget is 500K.
  - You're selling a house. You want to get 525K but won't take less than 475K.

**my position**

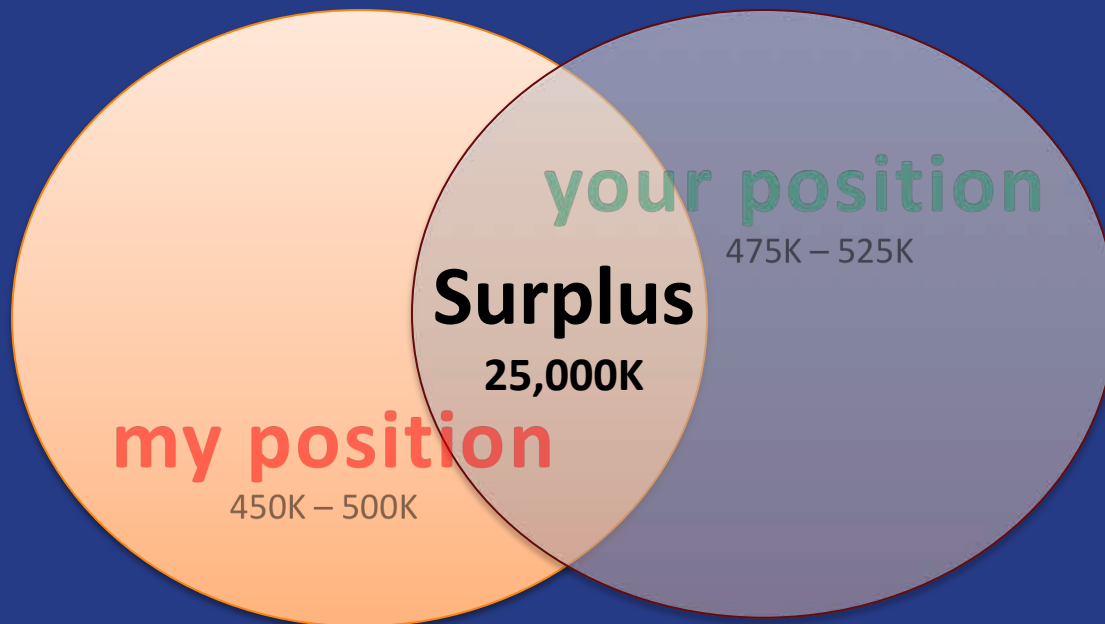
450K – 500K

**your position**

475K – 525K

# Win-Win Example

- **Buying a house**
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  - You're selling a house. You want to get 525K but won't take less than 475K.

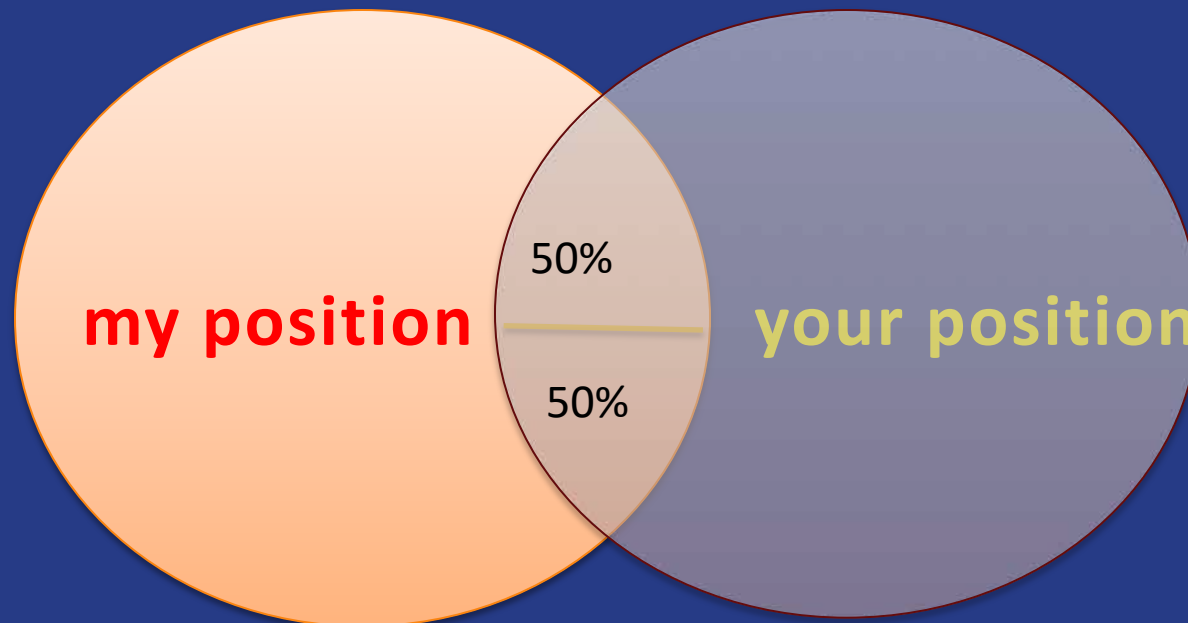


# Nash Bargaining Solution

(game theory: the study of mathematical models of conflict and cooperation between intelligent rational decision makers)

- Suppose 2 negotiators must split one unit of a good. If no agreement is reached, they do not receive anything. Their preferences are identical. We then expect:

–**Players to agree** (Efficiency)      –**Each to get half** (Symmetry)



# Prisoner Dilemma

An example in Game Theory explains why 2 rational individuals might not cooperate even if it's in their collective best interest to do so:

*Two gang members (A & B) are arrested and in solitary confinement. The police need more evidence to bring maximum charges. Each prisoner has the chance to betray the other or remain silent.*

- If A & B both betray, they each get a 2-year sentence.
- If A betrays B and B stays silent, A goes free, and B gets a 3-year sentence and vice versa.
- If A & B both stay silent, both get convicted on a lesser charge, and both serve a 1-year sentence.

Prisoner's Dilemma: Payoff Matrix		Suspect B	
		Cooperate	Betray
Suspect A	Cooperate	(a) -1, -1	(c) -3, 0
	Betray	(b) 0, -3	(d) -2, -2



# Prisoners' Dilemma: What can we learn?

- When individuals act in their own best interest, the whole organization may not benefit but may actually suffer a loss.
- A one-shot negotiation is different than repeated negotiations.
- If the prisoners dilemma is repeated, you may start to see different strategies play out.

# The Hospital's Dilemma

*Two departments (A & B) both want a new expensive piece of equipment. Sharing the equipment is possible but will be inconvenient and require ongoing coordination and cooperation. The hospital can only afford one. Each department has the chance to fight for its own piece of equipment or cooperate.*

- If A & B both fight, the hospital may postpone purchasing the equipment.
- If A fights and B stays silent, A gets the item, and B gets nothing and vice versa.
- If A & B both cooperate, they share the equipment.

Payoff Matrix		Department B	
		Cooperate	Fight
Department A	Cooperate	(a) 2, 2	(c) 3, 0
	Fight	(b) 0, 3	(d)-2, -2

# Zero-Sum game vs. Win-Win scenario

- Splitting the last piece of pie
- What my father taught me is one person gets to cut the piece of pie, the other gets to pick which piece they want.



# Techniques/Tactics

- Draw on a wide range of skills.
- Soft: “friendly agreement”
- Hard: “take it or leave it”
- Principled: “data driven and problem focused”



Apocalypse Now. Directed by Francis Ford Coppola, 1979

# Techniques/Tactics

- Keep a poker face
- Don't negotiate with yourself
- Swap or barter
- Don't do all the talking
- Bundle or unbundle items
- Know when to walk away

# Techniques/Tactics

- Vinegar/Honey-Start with the least expensive option that meets the need then work up
- Limited Authority-Buy time
- Good Cop/ Bad Cop
- Table an issue- May give all the participants some time to reevaluate

# None Verbal Communication

- Feelings and emotions received from others through body actions/language (Vibes)
- How something is said vs what was said (tone, volume, rate, sighing)

# Non-Verbal Communication

## Body language

- Keeping arms and legs crossed
- No eye contact
- Too much eye contact
- Playing with pen, hair, etc

## Possible Meaning

- Not receptive
- Lack of confidence in bargaining position
- Intimidation
- Lack of confidence



# Things to Avoid

- Anger
- Never lie
- Don't wait too long to bring up the elephant in the room.
- Don't gloat: "You never count your money when you're sitting at the table; there will be time enough for counting when the dealing is done."

# Things to Do

- **PREPARE**
- Know whether you are negotiating a price or a relationship
- Be positive, confident not cocky
- Make small talk--this helps to reduce tension

# Mistakes Physicians Make

- “Wing it”
  - Don’t know what their BATNA is, have no idea what the other parties' BATNA is
  - Don’t know what success looks like
- Start negotiating where they want to end up
- Lack even a rudimentary understanding of finance and accounting

# Negotiations

- Negotiation is a learned skill.
- As with other acquired skills, practice makes perfect.
- To be a successful negotiator, you need to draw on knowledge, experience, and emotional intelligence.



Arnold Palmer © Old Golf Images

# Repeated Negotiation

“Essential Elements : **Reasonableness** and **Flexibility.**”



# Summary

- There is no substitute for preparation.
- Put yourself in the other person's shoes.
- Know whether you are negotiating a price or a relationship.
- Know whether there is a surplus to split or if sharing the same piece of pie.
- Draw on all of your life experience.
- Be reasonable.