

# NEGOTIATIONS

Azeemuddin Ahmed, MD, MBA

Clinical Professor and Executive Vice Chair, Department of Emergency Medicine

Adjunct Clinical Professor, Department of Management and Organizations

The University of Iowa

@TheAzeemAhmed



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# TEACHING EXPERIENCE

UI Tippie School of  
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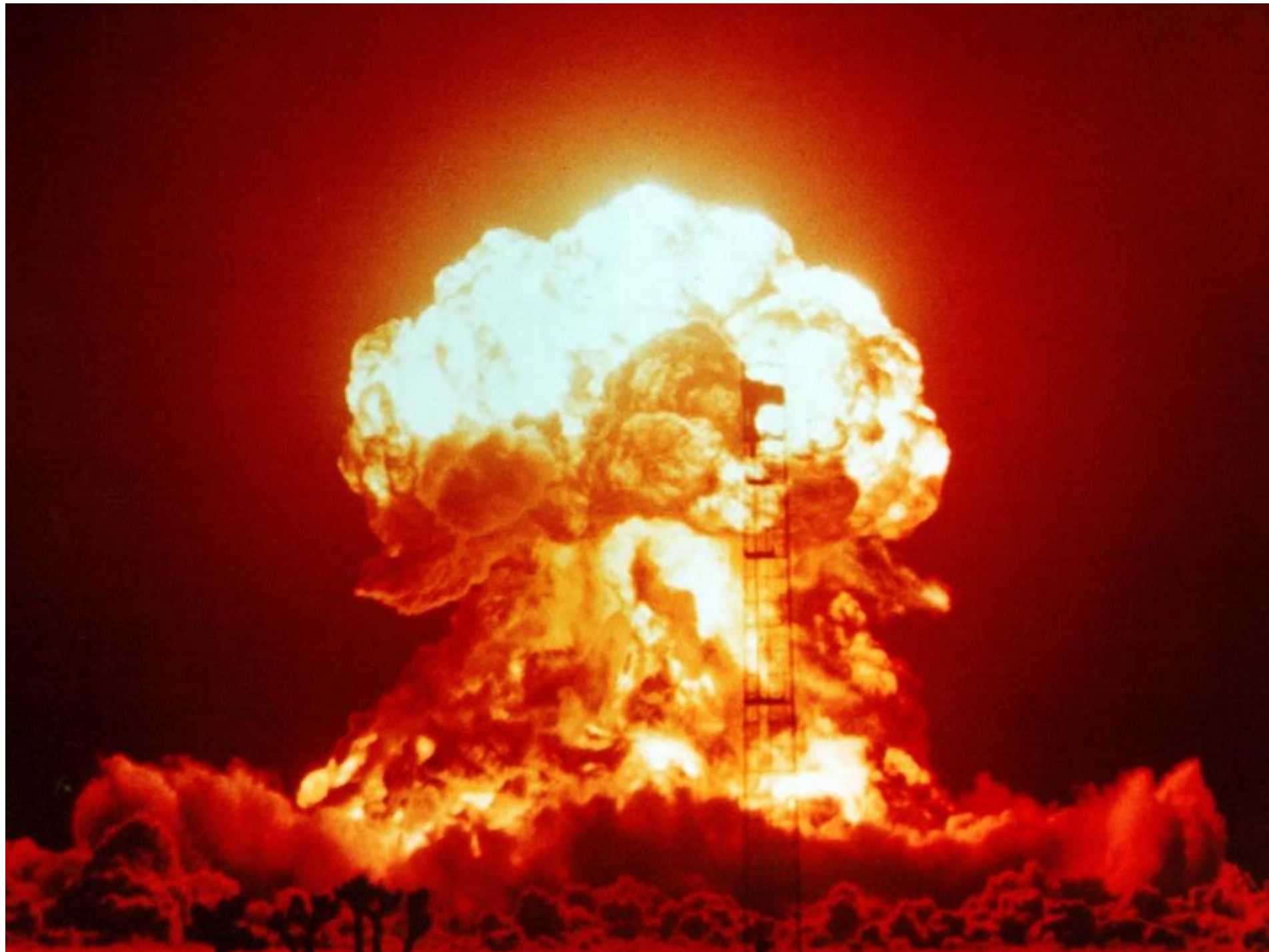
UI Carver College of  
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Track in Health Care  
Delivery Science and  
Management

UI Executive Master's  
Health Administration  
Program Seminar

UIHC Executive  
Leadership Academy  
Seminar

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Medicine Residency  
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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” – new academic chair position

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

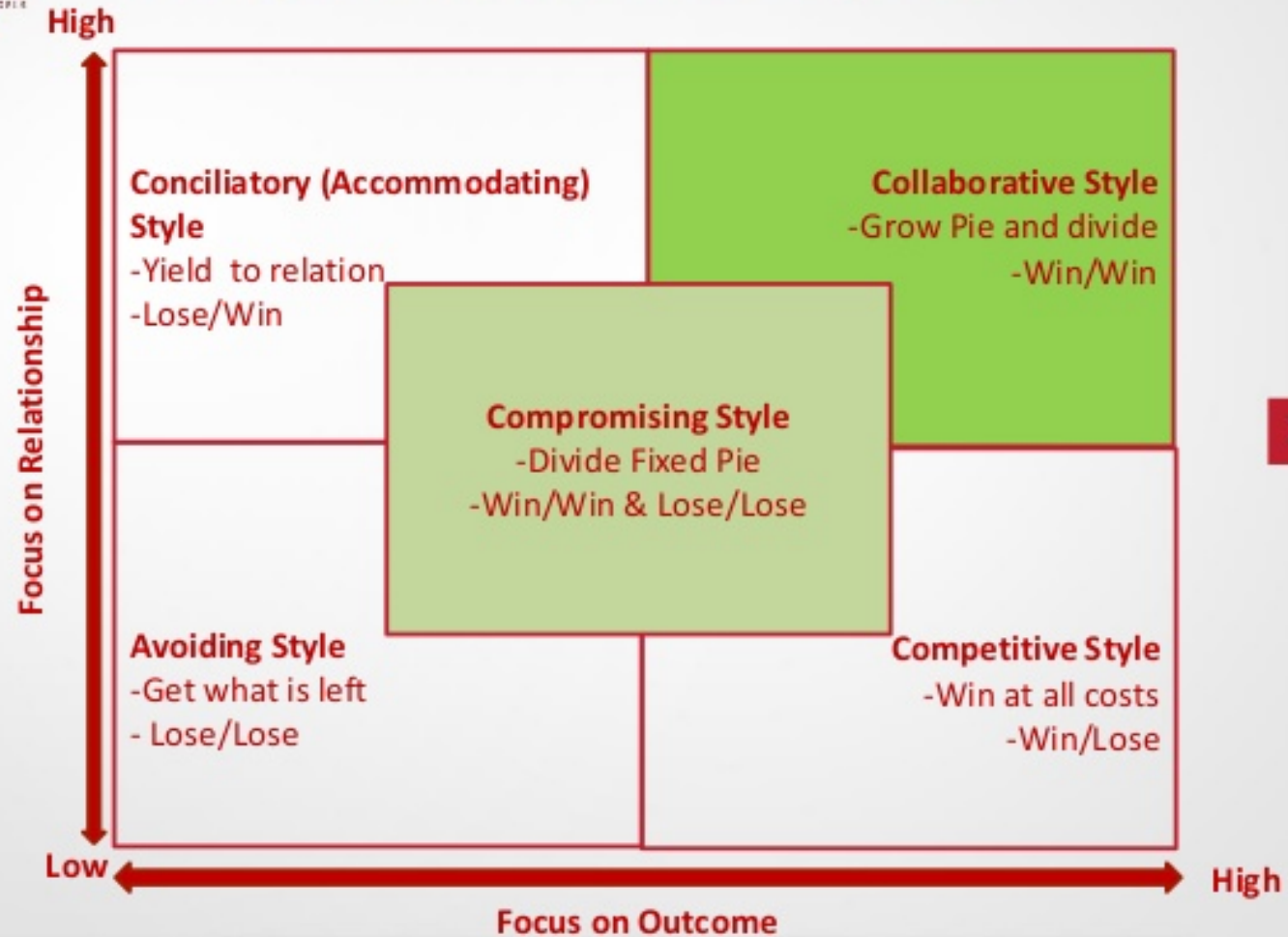
# NEGOTIATING STYLES



- Avoiding
- Compromise
- Accommodation
- Competitive
- Collaborative



# Negotiation Styles



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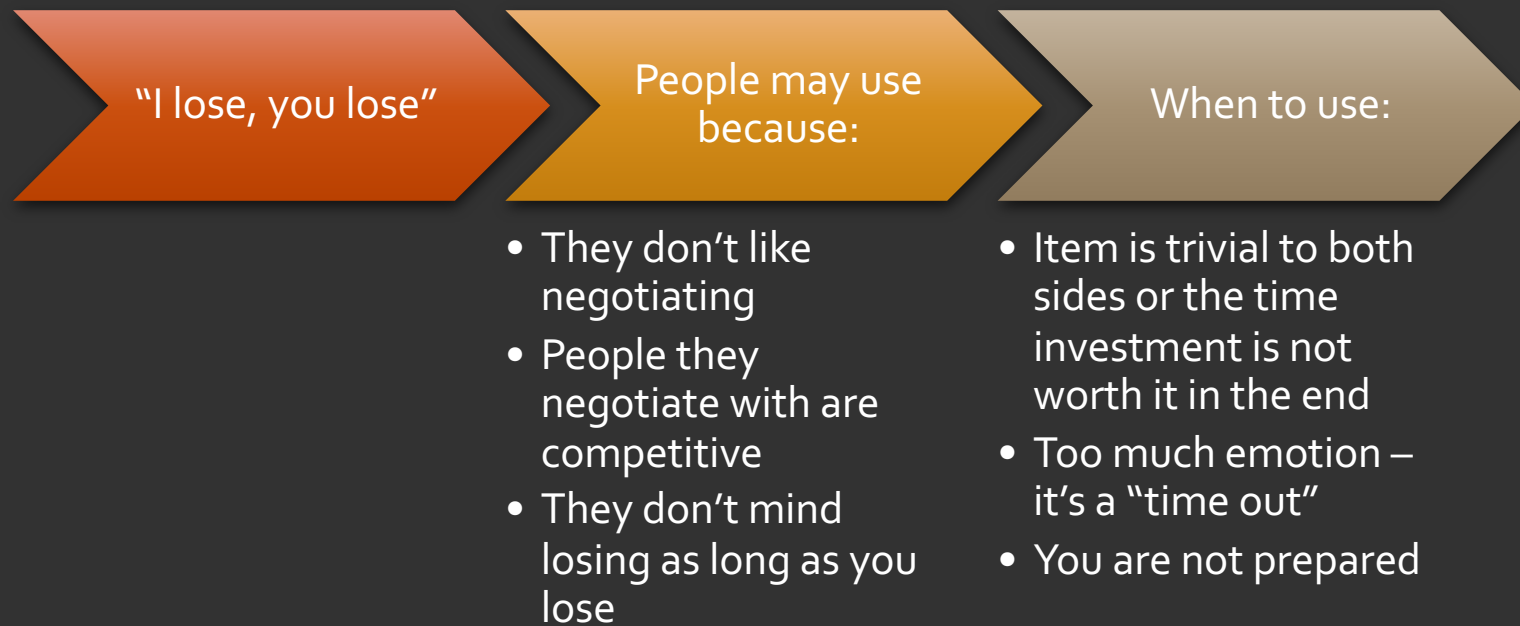
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# AVOIDING



# AVOIDING

## Danger

- Greater urgency = you will lose this negotiation (be careful regarding sharing urgency)
- Decreased communication – resentment builds (avoiding conflict can actually backfire)

## Self Defense

- Set clear expectations
- Escalate the situation – understand who ultimately is making the decision
- Attempt to agree on a process to break the stalling

# 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

## Danger

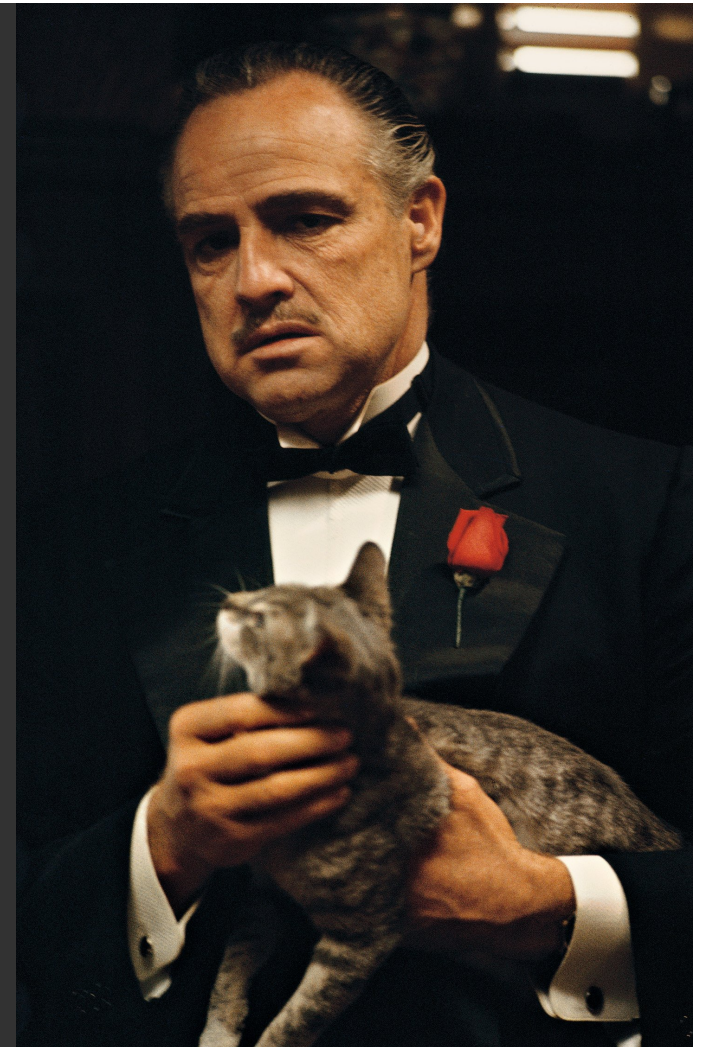
- Not prepared? I will compromise! (bad idea)
- The other party thinks you will make more concessions
- Most ambitious opening = you'll get a better deal
- You'll get a "reputation" – openings get more extreme

## Self Defense

- Only retreat when there is solid reason to do so – and get rewarded
- Trade across many goals
- Don't give in (compromise) too early
- Identify extreme positions early – "call out"

# 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

## Danger

- Accommodate = weakness?
- Give away value early – then you have nothing to offer
- Give away things – you have “deep pockets” impression
- Not the only way to build strong relationship
- Do your homework – you have value

## Self Defense

- Don't be lured into reciprocating more than what you received
- If they give away the farm and go out of business – you may NEED them in business - “friendly fire”

# 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

# COLLABORATIVE

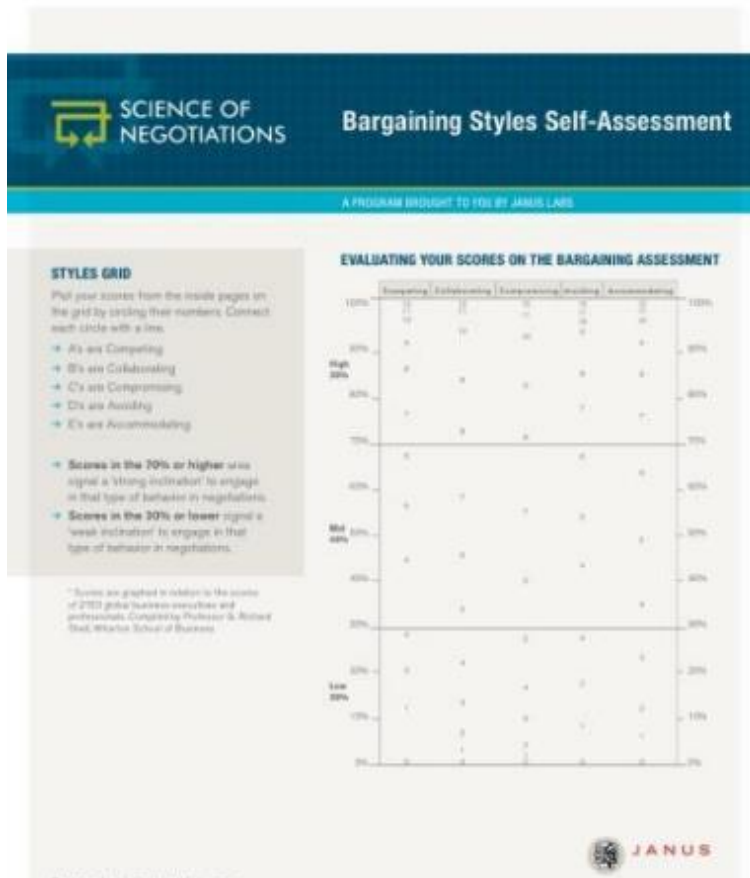
## Danger

- If they are competitive – don't be overly collaborative – situational awareness
- Share equal value information
- Need time and the right people – don't waste either

## Self Defense

- A collaborative style is not good for you – need to decide what style you will use
- Pick and choose who you collaborate with carefully

# 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

- 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

A close-up of a Klingon warrior's face, likely from the Star Trek franchise. The warrior has a large, brown, wrinkled head and a wide, toothy grin showing sharp teeth. The background is a dark, starry space with some white structural elements of a ship. Overlaid on the right side of the image is the text "IT'S A TRAP" in large, bold, white capital letters.

**IT'S A  
TRAP**

# 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?”

# CONSISTENCY TRAPS

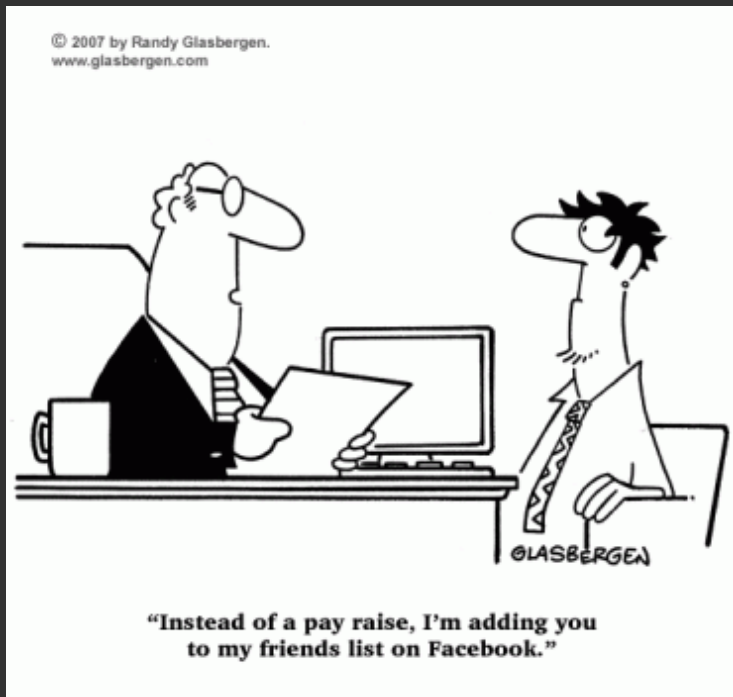
- How do I defend myself?
  - Be alert
  - When they ask probing questions (trying to set you up), slow the pace down – ask why you are being asked these things
  - If you agree to a standard, use broad terms, leave wiggle room
- What if you get trapped?
  - Adjust your position to be consistent
  -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



Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.

(Archimedes)

[izquotes.com](http://izquotes.com)

# 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



# 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



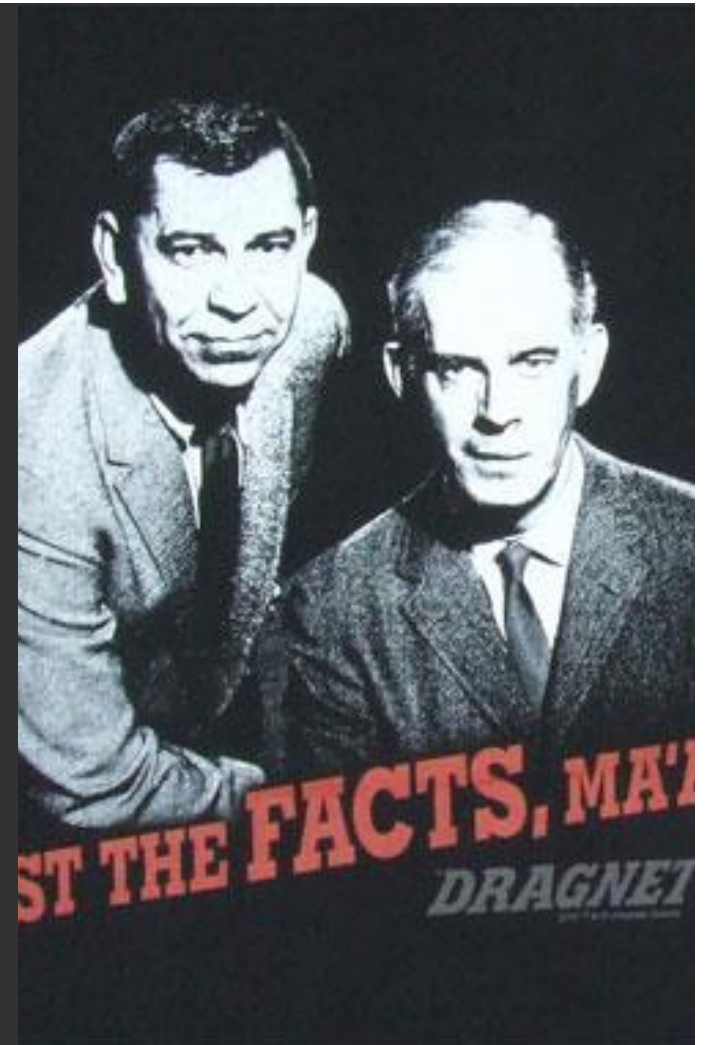
# LEVERAGE $\neq$ CONSTANT

- 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



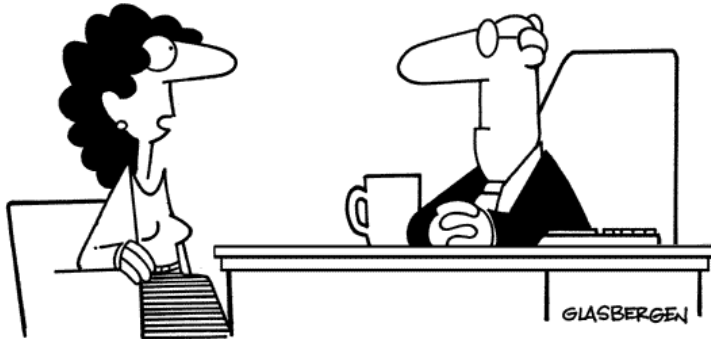
# LEVERAGE ≠ FACT-DEPENDENT

- 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

# 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 1<sup>st</sup> step)
- Speed of these steps may differ based on culture (Western vs. Eastern culture)

# MATCHING SITUATION, STRATEGY AND STYLE

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

# 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

# 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 3<sup>rd</sup> party to help



# AGREEMENT $\neq$ 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



### Information Based Bargaining Template

G. Richard Shell (2006) 'Appendix B: Information Based Bargaining Template, in G. Richard Shell (ed.) Bargaining for Advantage. United States of America: Penguin Publisher, pp. 251-252.

*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

*Mine*

*Theirs*

(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**

Mine	Theirs	My Counter Arguments

*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

<input type="checkbox"/> Agent	<input type="checkbox"/> Teleconference	<input type="checkbox"/> E-mail
<input type="checkbox"/> Face to face	<input type="checkbox"/> Telephone	<input type="checkbox"/> Instant Messaging

*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*



REVISED AND UPDATED

# Bargaining for Advantage

Negotiation  
Strategies  
for Reasonable  
People



**G. RICHARD SHELL**

Director of THE WHARTON EXECUTIVE NEGOTIATION WORKSHOP

"A must read for everyone seeking to master negotiation. This newly updated classic just got even better." — Robert Cialdini, bestselling author of *Influence* and *Pre-Suasion*



# NEGOTIATIONS

Azeemuddin Ahmed, MD, MBA  
azeemuddin-ahmed@uiowa.edu  
@TheAzeemAhmed

# SELECTED REFERENCES

- Shell GR. Bargaining for Advantage – Negotiation Strategies for Reasonable People, 3<sup>nd</sup> edition.
- Steinberg and D'Orso. Winning with Integrity – Getting What You Want Without Selling Your Soul.