Negotiation: Overview and Strategies

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Disclosure

• None pertinent to this presentation

Educational Objectives

• Basis of negotiation
• Fundamental approaches to negotiation
• Strategies & BATNA
• Practical tips
What you WON’T directly learn…

- How do I get new capital equipment…pennies on the dollar…
- How do I negotiate my next car…
- How do I negotiate a 50% salary increase immediately after this presentation…

*Disclaimer: I am by no means a professional negotiator

Basis of Negotiation

- Is a process which takes place when two or more interdependent parties who have different needs and goals, work together to find a mutually acceptable & beneficial outcome.
- Can occur anywhere we have interdependence of parties
- Happens all the time in every day life
  - Getting your kids organized in the morning
  - Agreeing on weekend activities
  - Making consumer purchases

Pitfalls to Negotiation

- Negotiations are confrontations
- Not willing to understand other party’s perspective
- Being emotional
- Focus on personalities, not issues
- Win-at-all cost mentality
  - Difficult to have solution always be one-sided
Negotiation Process

• Establish your objectives
• Establish other party’s objectives
• Frame negotiation as a joint search for a solution
• Identify areas of agreement
• Trouble shoot disagreements: bargain & seek alternative solutions, introduce trade offs
• Agreement and close: summarize and ensure acceptance


Bargaining Styles

• Competitive (win-lose): Assert your interests and position with no concern for other parties’
• Avoidance: Find no value in addressing conflict
• Accommodation: Focus on the other’s parties’ interests with little concern for your own immediate interests in order to preserve a relationship. Goal to resolve conflict.
• Collaboration (win-win): Satisfy all concerned parties’ interests and gain real commitment
• Compromise (win-lose/lose-win): Make an effort to partially satisfy all parties’ interests. Interest is in maintaining relationship
Situational Awareness

- Knowing your negotiation environment is crucial
- There is no ONE ideal strategy for all negotiations
- Single negotiation event needs to be put into perspective of the goal of overall vision
  - Single purchase (car purchase)
  - Long-term relationship (multiple RT equipment purchases)

Long Term Relationships

Invest in People Intentionally

As you go into any relationship, think about how you can invest in the other person so that it becomes a win-win situation. How relationships most often play out:

- I win, you lose - I win only once.
- You win, I lose - You win only once.
- We both win - We win many times.
- We both lose - Goodbye, partnership!

Maxwell JC, *How Successful People Think*. 2009

Approaches to Negotiation

Integrative

Distributive
Integration Negotiation
• Also known as interest-based bargaining
• It seeks mutual benefit for all that are involved
• “A rising tide raises all boats” – Reagan
• Win/Win strategy

Distributive Negotiation
• Positional bargaining, i.e. “this is my position and you can try and bargain me down from it”
• It’s the “fixed pie” mentality, and I’m going to grab the biggest piece of the pie that I can possibly grab
• Win/Lose strategy

Claiming Value
**BATNA**

- **Best Alternative To a Negotiated Agreement**
- Defined as the “if the wheels fall off the cart” plan; that is, if negotiation fails for any reason, then this is the solution we’re willing to accept.
- Process is as follows:
  - Develop a list of criteria on which the decision is being made.
  - Determine your BATNA for each item.
  - Utilize this tool as needed.
- Things to consider: cost, feasibility and consequences.


**Know your BATNA**

- If you give a range, all they hear is the favorable number….lead with aspiration

**Dropping the Anchor**

- Who threw out the first number?
  - Why did you throw out the first number? Was that wise?
  - Why don’t people drop the first number?
  - Winner’s/Loser’s Curse
- Why?
  - To influence how the other(s) perceives the items in discussion
  - To get their anchor(s) off the table
- Anchors
  - Are numerical values that pull judgements towards them
  - What affect can anchors have when managing differences?

Dropping the Anchor

- **Influence** how people perceive the value of issues discussed in a negotiation
- **Direct attention** to different elements of an issue
- **When?**
  - After gathering information
  - Know the bargaining zone
  - Begin with your aspiration price
  - After you have justification

Know your BATNA

- **Aspiration** = what you hope for
- **Reservation** = what you’d settle for
- **BATNA** = what you get if you don’t settle
- **Why take a reservation price no better than your BATNA?**
  - It depends if you value other things ... like the relationship!

Information Gathering

Focus on the uncertainty of other’s BATNA
- Everyone has a BATNA
- Often people don’t know what their BATNA really is...
  - Create for (or remind) your opponent a BATNA
**Know your bargaining zone**

![Diagram showing S. BATNA, S. Reservation Price, S. Aspiration Price, B. BATNA, B. Reservation Price, and Bargaining Zone]

**Influence - Cialdini’s Principles**

- **Reciprocity**
  - “simply give that which you want to receive”
- **Consistency**
  - Voluntary, public commitment
- **Social proof**
  - People rely on social cues from others on how to think, feel, and act in many situations
- **Liking**
  - People like those who like them or who they perceive as friends (Common ground / praise)
- **Authority**
  - When you are perceived as an expert in an area, others will be more likely to defer to you
- **Scarcity**
  - People value what is scarce. It’s just basic supply and demand.

_Cialdini RB, Influence: The Psychology of Persuasion. 2006_

**Practical Tips for Bargaining**

- **Be prepared**
- Anchor discussion with proposal – first offer in negotiation is likely to sway the discussion in their favor
- Power of silence – helps in gathering information
- **Information is power**
- Friendly and flexible
- Be aware of your body language – Tone of voice, eye contact, fidgeting
- If you don’t ask, you don’t get
- Never take the first offer
Summary

• Negotiation is a dynamic process with multiple, interdependent components influence by a number of factors
• Better defining one’s goal(s) and BATNA prior to bargaining facilitates negotiation process
• Various approaches can be used to help influence the bargaining process
• As with other things in life, structure, preparation and practice improves chance of successful result

Thank you for your attention!