

## Negotiation: Overview and Strategies

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## Disclosure



- None pertinent to this presentation

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## Educational Objectives



- Basis of negotiation
- Fundamental approaches to negotiation
- Strategies & BATNA
- Practical tips

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### 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

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### 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

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### 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




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## 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



Shell R. Bargaining for Advantage: Negotiation Strategies for Reasonable People. 1999

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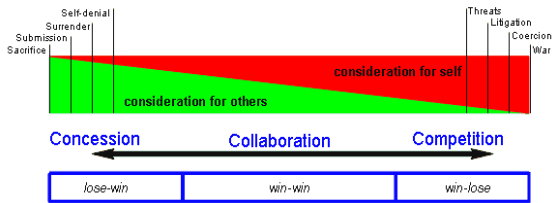
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## Bargaining Styles




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## 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

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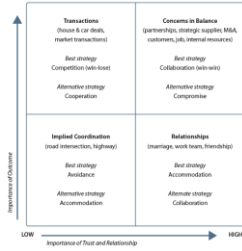
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## Situational Awareness

- 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*)




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## 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

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## Approaches to Negotiation

Integrative



Distributive




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## Approaches to Negotiation



### Integrative 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

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## Approaches to Negotiation



### 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

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## Distributive Negotiation



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## 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.

Fisher R. Yes: *Getting to Yes: Negotiating Without Giving In*. 1981.

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## Know your BATNA



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

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## 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?

Galinsky, AD. Should you make the first offer? *Negotiation*. 2004.

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## Dropping the Anchor



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

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## Know your BATNA



The diagram shows a horizontal scale with three vertical tick marks. From left to right, they are labeled: BATNA, Reservation Price, and Aspiration Price. A dashed line runs above the scale, and a solid line runs below it.

- 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!

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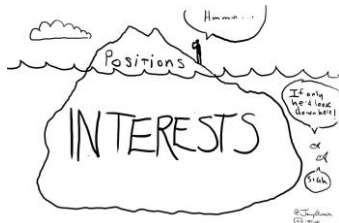
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## Information Gathering



- 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




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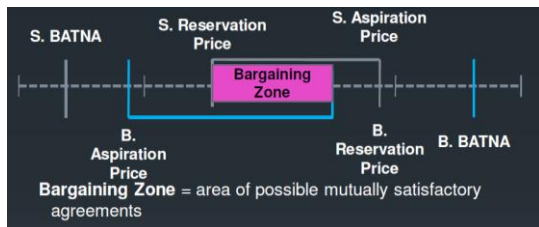
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## Know your bargaining zone




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## 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, other’s 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

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## 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**

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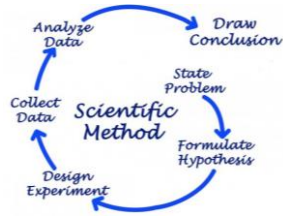
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## Physicist Perspective



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## 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

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## Thank you for your attention!



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