

Negotiation

Definition: Negotiation is a process by which two or more people (or groups) resolve an issue or arrive at a better outcome but not through compromise. Negotiation is a way to avoid arguing and come to an agreement with which both parties feel satisfied.

In a negotiation, each party tries to persuade the other to agree with his or her point of view. By negotiating, all involved parties try to avoid arguing but agree to reach some form of compromise.

Negotiation can be used by a variety of groups in a variety of situations—for instance, between individuals at a market looking to get the best price on an item, between startups looking to merge organizations through business negotiations, or between governments who want to come to a peace agreement. In your daily life, you may find yourself at work in salary negotiations or sales negotiations. Negotiation strategies are also a great tool for conflict management and conflict resolution—even in your personal life.

Negotiations involve some give and take, which means one party will always come out on top of the negotiation. The other, though, must concede—even if that concession is nominal.

Parties involved in negotiations can vary. They can include talks between buyers and sellers, an employer and prospective employee, or between the governments of two or more countries.

The Two Types of Negotiation

There are two possible types of negotiation, depending on the point of view and leadership styles of each negotiating party:

1. **Distributive negotiation:** Also sometimes called “hard bargaining,” distributive negotiation is when both parties take an extreme position and one side’s win is believed to be the other side’s loss (a win-lose solution). This operates on a “fixed pie” principle, in which there is only a set amount of value in the negotiation, and one side will walk away with the better deal. Examples include haggling prices in real estate or at a car dealership.
2. **Integrative negotiation:** Parties engaging in integrative negotiation don’t believe in a fixed pie, instead asserting that both sides can create value or mutual gains by offering trade-offs and reframing the problem so that everyone can walk away with a win-win solution.

Three essentials

Before entering a negotiation, you need to assess three things: your goals, your best alternative to a negotiated agreement (BATNA), and the reservation price.

The **goals** should be quantitative and precise, and the negotiator must be held accountable for them. They must be somewhat difficult to achieve and must be recalibrated over time. A caveat is that “reaching a fair agreement” is *nota* goal. There is no such thing as dividing the pie fairly because *fairness* is not an objective metric. If the counter party does better than you do, you feel it is unfair even though you may have achieved your goals.

BATNA is the alternative to the deal if you cannot come to an agreement. The **reservation price** is the walkaway point that you will not breach and which you cannot reveal at any cost. For an outcome lower than the reservation price, no agreement is preferable. The final deal is usually

secured between the goal and the reservation price. The bargaining zone is the space between the buyer's and the seller's reservation price. The zones must overlap for a possible agreement. While the BATNA is your source of power, you also have to assess your counterpart's goal, BATNA and reservation price.

The 5 Stages of the Negotiation Process

While there are many approaches to negotiation tactics, there are five common steps that most effective negotiations follow to achieve a successful outcome:

1. **Prepare:** Negotiation preparation is easy to ignore, but it's a vital first stage of the negotiating process. To prepare, research both sides of the discussion, identify any possible trade-offs, determine your most-desired and least-desired possible outcomes. Then, make a list of what concessions you're willing to put on the bargaining table, understand who in your organization has the decision-making power, know the relationship that you want to build or maintain with the other party, and prepare your BATNA ("best alternative to a negotiated agreement"). Preparation can also include the definition of the ground rules: determining where, when, with whom, and under what time constraints the negotiations will take place.
2. **Exchange information:** This is the part of the negotiation when both parties exchange their initial positions. Each side should be allowed to share their underlying interests and concerns uninterrupted, including what they aim to receive at the end of the negotiation and why they feel the way they do.
3. **Clarify:** During the clarification step, both sides continue the discussion that they began when exchanging information by justifying and bolstering their claims. If one side disagrees with something the other side is saying, they should discuss that disagreement in calm terms to reach a point of understanding.
4. **Bargain and problem-solve:** This step is the meat of the process of negotiation, during which both sides begin a give-and-take. After the initial first offer, each negotiating party should propose different counter-offers for the problem, all the while making and managing their concessions. During the bargaining process, keep your emotions in check; the best negotiators use strong verbal communication skills (active listening and calm feedback; in face-to-face negotiation, this also includes body language). The goal of this step is to emerge with a win-win outcome—a positive course of action.
5. **Conclude and implement:** Once an acceptable solution has been agreed upon, both sides should thank each other for the discussion, no matter the outcome of the negotiation; successful negotiations are all about creating and maintaining good long-term relationships. Then they should outline the expectations of each party and ensure that the compromise will be implemented effectively. This step often includes a written contract and a follow-up to confirm the implementation is going smoothly.

Negotiation Strategies:

Now that you've done your homework, what about actually negotiating? Here are some techniques to help you when you sit down with the other party.

Convey Confidence, Not Cockiness

To help you stay focused, remind yourself of your own objectives. To a great extent, power is a matter of perception. You may feel at a disadvantage when negotiating with a more powerful individual, but keep in mind that you would not be negotiating unless you have something the other party needs. On the other hand, Gesme notes that "overconfidence kills most negotiation." Speaking specifically of managed care plans, he says, "The doctors

who think they do it well get fleeced more often than anyone else. Be humble but know your options.”

Set the Stage for Agreement

“The first impression is truly the lasting impression,” Craver points out. “Even in negotiation, if I start in a positive way, the other party is likely to behave more cooperatively and reach an efficient agreement, meaning we are trading the right items.” Establish rapport with the other party early in the negotiation by looking for areas on which you both agree. Bring up points on which you are fairly certain the other party can say “yes.” Agreement helps establish a foundation of trust and respect that will be useful when you address more controversial topics.

Do Not Put Off Bringing Up the Elephant in the Room

Although it is a good strategy to find areas to agree on first, avoid waiting too long to bring up points you know might be significant. Gesme likens this to the story of a young physician he knew who waited until 2 weeks before the wedding to tell his fiancée that he had been previously married. He says, “When you know there are major obstacles, be tactful, but bring them up early rather than risk going through a laborious process and then having to put a band-aid fix on it at the end.” Such an issue common today is the generational disparity in expectations about work hours. “Senior partners are used to working 70 to 80 hours a week, while young people want to work 50 hours,” Gesme explains. “It’s not an insurmountable chasm, but it’s something that has to be negotiated up front. Both sides tend to keep those issues tucked away because they are painful and a bit hard. But you want to bring it up early.”

Ask Open-Ended Questions

Use phrases such as “Tell me more about...” and “What is your biggest concern with...” instead of questions that can be answered with a “yes” or “no.” Your goal in the early stages of negotiation is to find out more about what the other party’s real needs are. “The more time they speak, the more information they disclose,” Craver notes.

“A lot comes back to knowing who you’re dealing with, whether it’s a payer, a group of doctors, or a patient,” Gesme suggests. “With patients, for example, open-ended questions elicit a greater range of feedback about the medical problem, and also put it in the perspective of how the patient is looking at his or her problem and what the current situation is. This has to be part of the resolution.”

Listen and Restate Comments

Be wary of talking too much. By listening more than you talk, you will uncover information and attitudes that can help you understand the other party’s concerns and interests. “Listen to verbal leaks that inadvertently give away important information,” Craver recommends. “For example, someone who says he doesn’t ‘have much more room’ clearly *does* have more room.”

Paraphrase others’ statements in your own words. This lets them provide clarification or correct misinterpretations. In addition, you will often hear an elaboration on a point that will help you find out their needs and how to meet them. As Gesme notes, “It’s extremely important to understand their perspective as the negotiation proceeds.”

Watch for Nonverbal Cues

As a clinician, you are likely already familiar with the significance of nonverbal cues. Watch for meaningful gestures in your “adversary,” and be aware of the messages you are sending with your own body language. Noting gestures such as these can be helpful in negotiating: leaning back or clasping hands behind one’s head is a sign of confidence or

even dominance, but moving one hand behind one's head is usually a negative sign, and could mean uncertainty, disagreement, or frustration; sitting on the edge of one's chair shows interest; compressed lips may signal the onset of anger or uncertainty.

Stay Cool and Depersonalize Disagreements

Never negotiate when you are angry. Be aware of your own hot buttons, and do not rise to the bait if someone pushes one of them. Similarly, help the other party stay cool. When identifying potentially touchy points, refer to them objectively rather than assigning ownership. For instance, instead of saying “the way you assign call hours,” say “the structure of call coverage.”

Separate Discussion of Problems From Exploration of Solutions

Seek to clarify an issue and evaluate the nature of the disagreement before exploring solutions to it. Discussing solutions before the problem is fully defined can lead to trouble later because there might have been premature agreement on a problem that was not really fully understood by both parties.

Do Not Compare Offers

Although you have researched alternatives and know what someone else might be offering you, discuss the current deal on its merits. Do not compare it openly with other offers you have. Other offers you may have are your backup—your BATNA—if you can't reach a satisfactory agreement in the current negotiations.

Don't Issue an Ultimatum

Any kind of “take it or leave it” or “this is my final position” pronouncement cuts off the negotiations completely. Ultimatums are especially dangerous early in the negotiating process.

Use Deferral As a Trade-Off

In negotiating an employment contract, compensation is an area in which you can sometimes gain what you want by deferring it to the second year. For example, if your goal is a first-year salary of \$120,000, but the practice seems firm on offering only \$110,000, suggest that the \$10,000 difference be added to your second-year's salary. Thus, if the second-year salary was to be \$130,000, indicate you will accept the \$110,000 offered for the first year if they make the salary \$140,000 in year two. This shows that you are thinking long-term and also conveys confidence that the practice will be happy with you.

Use Your Leverage

Do not let any of the leveraging points you identified earlier go unexpressed during negotiations. As you prepared, you thought about the attributes you have that they want. Now is the time to bring them up.

Bring Materials That Supports Your Position

Data and literature convey authority. Have reports on hand that back up your negotiating points, such as salary surveys. If you want to work part time, for example, bring articles that discuss the success stories and the benefits that such arrangements can offer.

Beware of a Stall: Reach Closure

If the other party seems uninterested in finalizing the agreement, he or she might think a delay will improve the bargaining position. Ask what additional information is needed for

a final decision to be made. On the other hand, you can use a stalling technique yourself. If you want to negotiate more slowly and deliberately, tell the other party that you wish to confer with, for example, your spouse or an attorney.

Bringing Value to Negotiation:

Never Tell a Lie, Be Nice, and Consider the Timing:

As Craver points out, most of the basic principles of negotiation were learned before kindergarten. Be polite. Be honest. Be considerate.

“Skilled bargainers do not behave badly,” Craver says. “If you come to me and begin negatively I will look for a reason to tell you ‘no.’ But if you are professional and personable, I will feel guilty if I say ‘no.’” Craver uses the term “negotiating emotional intelligence” to refer to the overall interpersonal skills needed to be successful in negotiations—self-awareness, ability to adapt, ability to empathize. And he likens it to physician-patient relations. “Where you have somebody with a nicer bedside manner—doctors with good relationships with patients are likely to have long-term relationships.”

Gesme stresses that honesty is paramount. “Whether negotiating with a potential employer or a patient, honesty and integrity have to be first and foremost,” he notes. “You will always lose if you've been dishonest. Nobody wants to bargain when you're not bargaining in good faith. It takes too much time, too many resources, too much energy.”

Timing is important. Just as a child knows not to ask for a treat in the middle of a quarrel between mom and dad, don't initiate a negotiation during a difficult time for the other party. Even when negotiations are under way, correct timing remains important. For example, you shouldn't bring up salary and other compensation details prematurely when seeking a new position. Craver advises, “Wait until you have an offer. If they ask what you expect as salary before stating a figure, the best response is ‘What is your normal amount?’”

Do Your Homework:

Take time to prepare before approaching a negotiation. Start with assessing your own goals. “The biggest mistake I've seen, in my own negotiations and in those of others, is coming in with a specific demand,” Gesme recounts. “You may think you want the corner office, but in fact it has a water leak and the heat doesn't work, so there may be a better strategy. You want to be open going into a negotiation.” Beware of assumptions and biases, which often become self-fulfilling. As Gesme says, “Be careful what you wish for.”

Evaluate Yourself:

You will be in negotiating situation throughout your life. Learn from them, and after any negotiating process, ask yourself these questions:

- What additional preparation would have helped me?
- Did I listen enough?
- Did I paraphrase statements from the other party?
- Were options explored sufficiently?
- How much did the outcome meet each party's real needs?

KEY TAKEAWAYS

- A negotiation is a strategic discussion that resolves an issue in a way that both parties find acceptable.

- Negotiations can take place between buyers and sellers, an employer and prospective employee, or governments of two or more countries.
- Negotiating is used to reduce debts, lower the sale price of a house, improve the conditions of a contract, or get a better deal on a car.
- When negotiating, be sure to justify your position, put yourself in the other party's shoes, keep your emotions in check, and know when to walk away