



## Negotiation skills for physicians

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Manuscript received January 8, 2002; revised manuscript July 20, 2002

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### Abstract

As stakeholders vie for increasingly limited resources in health care, physicians would be well advised to hone their skills of negotiation. Negotiation is defined as a strategy to resolve a divergence of interests, be they real or perceived, where common interests also exist. Negotiation requires effective communication of goals, needs, and wants. The “basic needs” model of negotiation is best suited to the current health care environment. In this model, negotiator must be able to identify their needs in the negotiation, establish their best alternative to a negotiated agreement, and identify their strategies and tactics for the negotiation. © 2003 Excerpta Medica Inc. All rights reserved.

*Keywords:* Negotiation; leadership; administration; surgery

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Physicians with hospital leadership responsibilities increasingly face situations in which negotiation skills are needed. Physician leaders negotiate regularly for resources with hospital committees, boards, bureaucrats, politicians, lobbyists, citizen groups, community leaders, business executives, mediators, arbitrators and members of the legal profession. In health care, as in other sectors, parties do not get what they want or deserve: they get what they negotiate. The art of negotiation is among the most important skills possessed by today’s successful health care executives.

### Definition of negotiation

Negotiation is defined as a strategy to resolve a divergence of interests, real or perceived, where common interests also exist. Negotiation requires effective communication of goals, needs, and wants. It occurs between individuals acting either for themselves or as representatives of organized groups of individuals.

As the health care system continues to evolve, physicians will become even more active in its leadership and management [1]. Honed negotiation skills will be necessary because physicians will inevitably have goals and needs that compete with other clinicians and health care administra-

tors. To achieve the highest standard of medical care possible in response to the widespread call for improving the quality of health care in North America, physician leaders will need to negotiate effectively for limited resources. In addition, quality outcomes (ie, length of stay, morbidity rates, levels of patient satisfaction, and waiting times) also need to be negotiated with external parties such as government and third party payers. Finally, physician leaders must negotiate a balance between the ever-increasing emphases on cost effectiveness and quality of patient care.

### Models of negotiation

#### *Positional bargaining model*

Positional bargaining is a process of offer and counter offer in which each side enters a negotiation with the most expansive definition of their interest, expecting to be cut back. In positional bargaining, each party places its demands on the table and argues for the logic of the demand. Each opposing party then attempts to refute the logic of the other and counters with its own demands. The parties concede bit by bit until both are sufficiently satisfied and agree on a settlement. This “market” or “bazaar” model of negotiation results in winners and losers but, if negotiation fails, no change occurs and there is no solution to the problem. This approach to negotiation is adversarial, often increases conflict, and often leaves the parties dissatisfied. Positional

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bargaining is unlikely to succeed in the current health care environment because the system cannot afford to have absolute winners and losers in the allocation of health care resources.

#### *Basic needs model*

An alternative approach concentrates on the basic needs of the parties in the negotiation. In the basic needs model, negotiation is approached as a problem solving exercise. Negotiators need to be able to do four things in advance: identify their needs in the negotiation; establish their best alternative to a negotiated agreement; set objectives for the negotiation; and identify their strategies and tactics for the negotiation.

### **Negotiation skills**

The skills used by negotiators are extensive and have been well described in several understandable books on negotiation [2–6]. In their book *Getting to Yes*, Fisher and Ury [5] provide a relevant and logical perspective to negotiation skills. In this paper, the basic negotiation skills listed have been categorized as either strategic or diagnostic. Strategic skills are fundamental skills needed to plan a negotiation. Diagnostic skills are “at-the-table” skills needed when negotiating.

#### **Strategic skills**

##### *Role of the negotiator*

The skilled negotiator is someone who understands his or her role as a negotiator. Negotiators should never forget that they are negotiating on behalf of someone else, not for themselves alone. For example, negotiators can be agents representing physicians from a surgical department.

##### *Basic needs assessment*

In preparing for a negotiation, the skilled negotiator identifies the basic needs of the group they represent. The most skilled negotiators must identify not only the needs and perspectives of the other parties, but also be able to see the issue from their point of view.

##### *Preparation*

A strategic negotiator concentrates on areas of anticipated common ground and not on areas of conflict. He or she considers a wide range of outcomes in planning the negotiation and, having prepared for the most likely scenarios, reduces the chance of being surprised during the negotiation.

#### *Objectives*

A skilled negotiator approaches a negotiation with a set of objectives rather than a single inflexible objective, and a clearly defined range of settlement points including minimum and maximum points of settlement. Developing a list of objectives before entering into a negotiation keeps the negotiations focused on the desired outcome.

#### *Zone of agreement*

Negotiated settlements occur when the common interests of each party are agreed upon. This is known as the zone of agreement that is the result of any successful negotiation, regardless of the model used. Reaching the zone of agreement depends on how good each party’s alternative to an agreement is, and the negotiating skills of the people “at the table.” If there is no point at which an agreement meets the needs of both parties, then the parties may not reach an agreement. Failing to reach agreement when one of the parties cannot satisfy its basic needs is better than reaching an agreement that leaves one of the parties fundamentally dissatisfied. Recognizing the problem can often be a critical step in creativity, in thinking “outside the box.”

Determining whether a zone of agreement exists between two parties is a key principle of negotiation. The skilled negotiator identifies whether parties can agree and on what points. This is the zone of agreement. The critical needs of the parties define the outer zone of an agreement. Being able to see this zone of agreement before engaging in the negotiation process is an important first step in negotiation.

#### **Diagnostic skills**

The following are the key diagnostic “at-the-table” skills required of a negotiator. In many ways, they are very similar to the diagnostic skills used by a skilled clinician. A physician’s ability to ask the right questions and actively listen will be of value during a negotiation.

##### *Asking questions*

Not unlike the skilled clinician, an effective negotiator asks questions in order to understand the needs of others. In doing so, he or she establishes the goals, needs, and wants of all parties. Asking questions helps to break down barriers and establish better communication between two parties. A skilled negotiator rarely uses attacking and defending behavior because these kinds of at-the-table actions can interfere with communication and provoke the other party to become defensive and inflexible.

##### *Active listening*

The physician negotiator must listen actively to all parties involved in the negotiation. Active listening sends a

message to others that they have been heard and understood, and that their feelings are appreciated and accepted. The listener is not judgmental and assists in generating a feeling of tolerance, understanding and empathy. Paraphrasing is an active listening skill. By simply rephrasing what the speaker has said, you are telling the speaker you have heard what they have said. You are also testing whether you have, in fact, understood what they said. Paraphrasing also serves to keep the negotiator focused.

One can learn the skills of active listening, and many physicians have learned these skills during their clinical training. Although these skills may seem awkward or artificial at first, with time, these negotiation skills become natural.

#### *Reflecting the implications*

In active listening, it is important not to simply repeat what the other person has said. You must translate it into your own words. This requires going beyond the content of what the other person is saying and indicating to the speaker your appreciation of where the content is leading. It may take the form of extrapolating the ideas of the speaker, using phrases such as “so, that might lead to a situation in which” or “are you suggesting that we might. . . .” Reflecting or extrapolating the content serves to broaden and deepen the negotiation discussion.

#### *Inviting comments*

Inviting comments and asking questions engages all members in the negotiation process. It serves to build a sense of problem solving and helps to clarify goals, needs and wants. The negotiator wants the session to be engaging and participatory, to increase everyone’s comfort with the interaction, and facilitate relationship building. Asking open-ended questions and inviting comments are important negotiation skills.

#### *Presenting ideas*

Skilled negotiators are able to present their ideas clearly and succinctly. The skilled negotiator uses few rationales to back up arguments because the more reasons advanced, the greater the risk of diluting an otherwise sound argument. The poorest reason is the lowest common denominator in negotiating since a weak argument dilutes a strong argument. Simple and important arguments are advanced insistently, only moving to subsidiary reasons if the main reason is clearly unconvincing. By seeking the ideas of others, building on their ideas and offering your own thoughts as a negotiator you can often construct a solution to meet everyone’s needs. This at-the-table skill will facilitate negotiations.

### **Planning a negotiation**

There are a number of common steps to planning a negotiation.

#### *Identify your needs and interests*

Attach priorities to these needs.

#### *Identify must-haves and wants*

Assess your own needs and interests and determine which of these are absolute “must-haves”—needs that absolutely must be satisfied for you to consider the negotiation a success—and which are simply “wants.” Questions to ask include: What do I/we really need? Is this absolutely necessary? On which needs and interests can I/we compromise?

#### *Identify the needs of the other participants*

In a similar fashion, the skilled negotiator identifies the needs of the other participants and determines, as closely as possible, their list of “must-haves” and “wants.”

#### *Identify common needs and common interests*

Once the negotiator has mapped out all the parties’ interests and needs, it is possible to identify the needs and interests that the parties have in common as well as those where there is no agreement and conflict will likely arise. The skilled negotiator is able to identify a zone of agreement and not just areas of conflict.

#### *Determine your BATNA*

It is not only what is on the table, but what is off the table that shapes the outcome of a negotiation. Thus the next step is to clearly define the best outcome you could expect without undertaking the negotiation. This is called the BATNA—best alternative to negotiated agreement [5]. Questions to ask include the following: What are my alternatives to an agreement? What are my alternatives if we fail to reach an agreement? If the alternatives satisfy my needs, why is a negotiated agreement important to me? If my alternatives to negotiation are poor, then it is more important to search for common ground and do what is necessary to reach an agreement.

#### *Determine the BATNA of the other participants*

In similar fashion, the skilled negotiator must estimate the best alternatives to a negotiated agreement for the other party along with the individual and long-term cost of an agreement, and the cost to them of failing to reach an agreement.

### *Set objectives, not interests and positions*

Objectives should be specific and measurable. It is important to be able to distinguish between needs and objectives. Objectives are flexible, needs are not. Objectives reflect underlying needs. Needs are general, whereas objectives are specific.

Questions to ask include these: Does attainment of this objective meet my most crucial needs? Is it expressed in specific, concrete terms? Is it measurable? How do I know when this objective has been met? Being able to distinguish between needs and objectives can avoid deadlock. During the course of negotiations, you and the others may choose to modify your objectives as you find other ways to meet your needs. Keep your own objectives fluid and flexible so that expectations can change with the circumstances of the negotiation. This helps to reach mutually beneficial agreements.

### **Case scenario**

#### *Background information*

Imagine you are Chief of Surgery at Central Hospital, a large urban full-service teaching institution with approximately 1,000 beds. You are a member of the senior leadership team at Central Hospital along with the CEO, the Vice-President of Finance, the Chief Operating Officer, and the Vice-President of Nursing. The leadership team has recently decided that the future of Central Hospital lies in cardiac surgery and has made this one of its operational priorities. For a variety of reasons, there is a surplus in the current fiscal budget of \$3.5 million. This is a one-time surplus that the senior leadership team would like to put to use. Finally, there is a capital campaign that will start in the new fiscal year that is 8 months away. Capital funds allocation will be based on strategic priorities, and decisions will not take effect until the next fiscal year.

#### *Problem*

You are in the process of developing a cardiac program and have recruited two highly trained cardiac surgeons. As part of the recruitment, you negotiated in principle the development of high-technology cardiac operating rooms (ORs) with the hospital senior leadership team. You need to retrofit four existing ORs as part of your strategic plan to develop this program. The total cost of rebuilding four ORs is more than \$4 million. You must negotiate with the senior leadership team for the needed capital money to build the operating rooms.

At the same time, the Central Hospital senior leadership team is faced with the challenge of nursing recruitment and retention, and the need to replace out-dated equipment for nursing staff this fiscal year. Finally, additional funds are

required to offset unexpected capital costs in the building of a new emergency room (ER) facility.

As Chief of Surgery you need to negotiate with the senior leadership team. Two brief negotiation scenarios will be presented using the positional bargaining model and followed by the basic needs model.

#### *Positional bargaining approach*

As Chief of Surgery, you firmly believe that in order to build the cardiac program you need immediate funding to build all four ORs promised during recruitment of the two recently hired surgeons. The opportunity for future capital may be addressed during the capital campaign scheduled for the next fiscal year, but this is at least 8 months away and you feel that this is not soon enough.

Although you are part of the senior leadership team, the current issues facing the hospital (ie, nursing shortages and costs) have not figured into your decision to ask for funds for four ORs. Nursing and ER issues, in your opinion, should not affect your goal to further develop the cardiac program. You appreciate the support for the cardiac program that the senior leadership team has shown on previous occasions.

Your approach to negotiation is direct. You have prepared for the negotiation by meeting with the cardiac surgeons whom you represent. You convinced them that your position is the most strategic one. After your meeting, you understand that the best alternative to a negotiated agreement, in the event you fail to secure funds to retrofit a minimum of two ORs, will result in the loss of the two highly trained and recently recruited cardiac surgeons. You are confident you will convince senior management and secure the necessary funding.

You appreciate that the senior leadership team, including the CEO, has almost agreed to retrofit a minimum of two ORs since funds remain available after the nursing problem and ER issues are addressed. You are confident that you can negotiate to have all four ORs retrofitted. The VP Nursing met with both the VP Finance and CEO requesting \$1 million to support nursing recruitment and retention plans and to upgrade nursing equipment. Her strategy would ensure minimum staffing of surgical in-patient units and the operating rooms. The CEO predicts, based on past experience working with you, that you will request all \$3.5 million to support your ORs and cardiac program. She is prepared for a good fight.

#### *Needs-based approach*

As Chief of Surgery, you feel you need to secure full support for the further growth and development of the cardiac program from the senior leadership team. You view this as a long-term strategy. You have met with the cardiac surgeons to discuss the possibility of securing operational moneys to retrofit the ORs for the cardiac program. You

inform them that there is \$3.5 million available. You also inform them that there are major issues with nursing and unexpected costs from the ER that will need to be paid for with the \$3.5 million.

Prior to meeting with the cardiac surgeons you have met with the VP Nursing and the VP Finance. The VP Finance outlines that Central Hospital must pay the ER overruns (\$1 million)—this is not negotiable. The VP Nursing reviews the problems she faces with respect to nursing recruitment and retention. In order to facilitate recruitment and retention, she will need a total of \$1 million. Therefore, there remains \$1.5 million that is available for use by Central Hospital. You outline your plans for the cardiac program.

You stress the importance of having senior leadership team support for its growth and development. They agree with the principle. The VP Finance reviews your plans and is impressed with its clarity. She feels that there is little chance the hospital will be able to retrofit all four ORs during this fiscal year. The team suggests that one OR be retrofitted at this time and the other three be retrofitted with capital funds from next year.

You meet with the cardiac surgeons and present the results of your meeting with the VP Nursing and the VP Finance. The surgeons appreciate the need to pay for the ER and support the nursing initiatives. They suggest that you negotiate retrofitting two ORs, which would, in turn, facilitate their clinical, teaching, and research responsibilities. It will also ensure that Central Hospital is a leader in cardiac surgery, leading to greater market share of cases and increased hospital profile.

You take this information to the CEO before the senior leadership team meeting. During your discussions, you stress the importance of having her and the senior leadership team's support for the further development and growth of the cardiac program. She is in full agreement. You then outline your plans for retrofitting three ORs during this fiscal year and one OR with capital moneys. You describe to her the cardiac surgeons' concerns about service, research,

and teaching roles. You highlight the importance of profile and market share. She agrees with all your recommendations. She cannot commit to any requests at this time—but will review your recommendations.

## Summary

Negotiation skills are among the most important administrative skills surgeon leaders need to be able to acquire necessary resources in today's health care marketplace. Negotiation can be defined as a strategy to resolve a divergence of interests, be they real or perceived, where common interests also exist. Negotiation requires effective communication of goals, needs, and wants. The basic needs model of negotiation is best suited to the current health care environment. In this model, negotiators need to be able to identify their needs in the negotiation, establish their best alternate to a negotiated agreement, and identify their strategies and tactics for the negotiation. Strategic and diagnostic skills of negotiation will improve with each negotiation experience. The final outcome of each negotiation should be a balanced, mutually acceptable solution for all parties. Ideally, the process should result in stronger working and collegial relationships for all involved.

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