

Negotiating for Future Success

This key skill is an important tool.

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From the moment we complete the necessary training and education to “hang up our shingles,” the ability to negotiate becomes a skill that throughout long careers plays a significant role in our job satisfaction and success. Because every transaction we make involves some form of negotiation, the ability to skillfully negotiate is important in both our personal and business lives. Negotiating is not just something that we do when making major financial transactions such as seeking employment, adding associates, hiring staff, buying equipment, haggling over the terms of insurance contracts, or selling practices. It also comes into play daily when discussing procedures or fees with patients, and in our homes, we routinely negotiate with our chil-

dren and spouses. Because overall success in both personal and professional pursuits depend on our ability to negotiate effectively, working to improve our skills of negotiation should be a lifetime endeavor.

or achieve less than optimal results. For transactions in which we are selling—say, a home or a car, any subsequent relationship is irrelevant. For others—such as pursuing employment by a medical group, clinic, or hospital,

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Perhaps the greatest challenge for a negotiator is that s/he must take into account both emotional and economic issues. This complex combination of rational, and possibly irrational, factors can lead to outcomes that result in damaged relationships

working out the details of an insurance contract, forming a partnership, or merging practices, it is crucial to future success that good relationships are maintained among the negotiating parties. This article will focus on

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negotiation strategies which address both the emotional and the economic issues critical to successful outcomes for which the subsequent relationship will be ongoing.

In the '50s and '60s, negotiating often involved a “hard-nosed” bargaining style that typically resulted in one party winning and the other losing. Such win-lose outcomes resulted in strained relationships and lost future opportunities. This style later gave way to “win-win” negotiating which is well articulated in the book *Getting to Yes* by Roger Fisher and William Ury. Let us focus on some basic ideas in developing negotiating skills that lead to these win-win outcomes.

While much of the discussion regarding negotiations would seem relevant specifically to younger practitioners who are just entering the workforce and are involved in working out their futures with potential employers, the reality is that many DPMs in their mid and late careers are finding themselves in situations similar to those of these practitioners who are just starting out. For example, some who are five to ten years from retirement are seeking employment from new owners following the sale of their practices, and some are seeking employment by medical groups, orthopedic groups, clinics, or hospitals. Many mid-career DPMs are merging practices to form larger groups which essentially function like business corporations. Even when practitioners become partners in those businesses, they still need to negotiate such things as work hours, vacation time, call schedules, division of overhead, compensation formulas, and benefits.

Money and Satisfaction

Many perceive money as the most significant issue in negotiations, and while it is important, money actually may not be the most important factor in determining one's job satisfaction. A 2014 Medscape *Physician Compensation Report* contained two interesting charts. Comparing the charts side-by-side, something quite revealing stands out. The first listed the average yearly compensation for 25 medical and surgical specialties—in descending order. The range was from a high of

\$413,000, to a “low” of \$174,000. As you may expect, orthopedics was at the top, followed by cardiology, urology, gastroenterology, radiology, anesthesiology, plastic surgery, dermatology, general surgery, ophthalmology, oncology, critical care, emergency medicine, pulmonary medicine, OB/GYN, nephrology, pathology, neurology, rheumatology, psychiatry, internal medicine, endocrinology, pediatrics, family medicine, and HIV/AIDS. The second chart listed results from responses to the question, “Would I choose medicine again?” Again, in descending order—from most to least satisfied with their decisions were: internal medicine, HIV/AIDS, family medicine, pulmonary medicine, and pediatrics, and at the bottom were those in general surgery, anesthesiology, radiology, orthopedics, and plastic surgery. Notable is that the order of specialties from most to least satisfied, is almost exactly the reverse of that for compensation

more information and greater leverage than you—making you feel “trapped” in a “take it or leave it” situation. This is especially true when the other side is “sizeable”—such as a hospital, insurance company, or medical group. The reality is that you do have leverage; otherwise, “the other side” would not even be negotiating with you. There is a range of outcomes within which both sides will be satisfied—even when one side appears to have an overwhelming advantage. In some negotiations, the range of these win-win outcomes can be quite wide.

The Endowment Effect

When negotiating to buy into a practice, buy out a retiring doctor, or merge with other practices, you need a reliable, scientific method for objectively measuring the value of those practices. Such methods do exist; yet, emotion regarding “sale price” often derails the ultimate negotia-

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levels. The most satisfied practitioners were among the lowest compensated, and the least satisfied were among the highest compensated.

You can draw your own conclusions from this comparison, but anecdotally, the statistics appear to support the idea that earning more money does not increase a physician's level of satisfaction with his/her choice of specialty. For purposes of improving your negotiations, the main takeaway from this information is that compensation should not be your sole focus when evaluating employment or other practice situations. Similarly, reimbursement rates should not be the sole focus when evaluating the merits of third-party payer contracts. Many issues which are non-monetary-related can be equally important and are often much easier to negotiate with “the other side.”

Leverage

In many negotiating situations, it is typical to feel that “the other side” has

tion for a partnership, acquisition, or merger that would actually be in the best long-term interest of all parties involved. While it is impossible to remove all emotion from the equation, an interesting study explains how buyers and sellers often ascertain value from very different perspectives. Awareness of the seemingly simple concept revealed in this study can go a long way towards getting all negotiating parties on “the same page.” The following two paragraphs, taken from “Know the Value of Your Practice,” chapter ten, of my book, *The Medical Practitioner's Survival Handbook*, helps to explain this phenomenon:

An interesting experiment conducted by Eric Johnson, co-director of the Center for Decision Sciences at Columbia University, gives valuable insight into why the perception of value can vary so widely between buyers and sellers. In this experiment, Johnson divided one of his

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classes into two groups, asking the first group how much they would pay for a coffee mug he was holding. The typical response he received was \$4. He gave the second group the same mug for free and then asked, “How

effect, which Johnson explains in the following way: “*Simply owning something increases its value.*”

This experiment can help us to understand why negotiations involving practice buy-in and buy-out situations are difficult and often defy logic. If two groups can disagree this

that these issues of “behavioral economics” are an unspoken factor; yet, ultimately, practice valuation must be approached in an objective way, one that leads the buyer and seller to come to a reasonable agreement as to a practice’s fair value.”

In this example, “sellers” perceived the value of a specific commodity—the coffee mug—to be double that perceived by “buyers.” Little emotion was involved in this valuation since the mug was, basically, a commodity to which neither party had much attachment. Value *should*, therefore, have been relatively easy to agree upon, yet, there was a large discrepancy, even in this “simple” negotiation. When negotiating any sale or merger, all parties involved must recognize the potential influence of this endowment effect.

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much would I have to pay you to part with it?” What is important to recognize at this point is that Johnson is basically asking the same question of both groups, which is, “How much is this mug worth to you?” Surprisingly, the average response from the second group was \$8. Researchers refer to this phenomenon as the *endowment*

much over the value of a simple coffee mug, it is no wonder that the difference in the perception between buyers and sellers of the value of a more complex entity such as a medical practice can be so extreme—with each party feeling that the other is being unreasonable. When negotiating price, it is helpful to understand

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the perceived value easily differing by as much as 200%! When valuing a practice, emotions are often intense. The owner feels s/he has put in years of “blood, sweat, and tears” building the practice and its solid reputation in the community. How does one place a value on the time this doctor has invested? Because an associate, or an acquiring entity, can never match this investment of time and emotion, they will not value this practice at what the owner does. This gap in perception is the obstacle that often derails a partnership, merger, or buy-out that would, over the long-term, actually benefit both parties to a far greater extent than if they were to retain the status quo. Ultimately, in successful negotiations, reason prevails. This is more likely when all parties are aware of the potential influence that this “endowment effect” can have and deal with it at the onset of the negotiation process.

Listening

When first entering into negotiations, many issues are unknown. It is only as the process develops that much significant information is uncovered through *listening*. This is something that most people, especially doctors, do very poorly. One of the most important points made in Fisher and Ury’s book, *Getting to Yes*, is as follows: “Since the other side will say yes for its reasons, not yours, agreement requires understanding and addressing your counterpart’s problem as a means to solving yours.” The only way to learn the other side’s “problems” is to ask the right questions and listen carefully to determine what it is they are trying to accomplish.

Since, as previously mentioned, key negotiation issues are often non-economic, there is likely to be a wide range of solutions that could result in successful negotiations. For example, an associate looking to affiliate with a practice may find a fairly wide range of compensation to be acceptable as the ultimate agreed-upon dollar amount can be offset by non-economic factors such as work hours, practice location, and/or future opportunities. Some of these factors

may even be more important to a doctor than the amount of any initial compensation. These often overlooked factors cannot be given their proper weight without first asking questions and listening carefully to the answers. G. Richard Shell, author of *Bargaining for Advantage*, cites studies showing that the most successful negotiators, “happen to be the most persistent question-askers—and listeners.” When starting any negotiation process, go in with an open

of their interests actually are compatible (i.e., both want the practice to grow and prosper). A focus on these common interests would be likely to stimulate each side to find a mutually beneficial solution. Even though the issue of salary can be contentious, a focus on the skills and attributes the new associate will bring to the practice can make salary less of a roadblock in negotiations. For example, the associate might be able to demonstrate how s/he will contribute

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mind and a blank sheet of paper. This signals to “the other side” that, “I have no predetermined position and am sincerely interested in listening in order to gain a better understanding of your interests and ideas.” This is a valuable tool in arriving at a range of mutually acceptable solutions.

Focus on Interests, Rather Than Positions

One of the best distinctions made in the book *Getting to Yes* is the difference between *interests* and *positions*. A position is defined as something that you have decided upon, while interests are what caused you to so decide. Individuals often enter negotiations having already taken a position. This will only serve to slow or block the process. Since the goal of any negotiation is to satisfy the negotiators’ collective interests, it is important that each be aware of and focus on the interests of “the other side.” This approach is far more productive and is feasible because there are often multiple positions that will satisfy any given interest. Knowing how to consider the interests of the “other side” is an essential skill to have when working in a group situation.

When a doctor considers taking on an associate, the two may hold different and incompatible positions regarding the first year’s salary; however, if they enter into negotiations which focus on interests rather than positions, they might find that most

in ways that would support his/her proposed salary.

Negotiations are seldom single-issue, one-shot deals. More typically, they are complex, include multiple relationships, and are both economic and non-economic. The ultimate results of these negotiations will be implemented over an extended period of time. A *Harvard Business Review* cartoon depicts failed negotiations. It features a group of despondent businesspeople assembled around a conference table with the following caption: “The key difference with the new plan is that what we once feared most is now our best-case scenario.” To avoid this type of outcome when you are negotiating, it is critical that you understand the importance of the following: 1) money is not everything, 2) you have more leverage than you think, 3) you must know your value, 4) you must listen carefully, 5) negotiations that focus on mutual interests will end in win-win solutions, and 6) there will be a range of mutually acceptable outcomes. Ultimately, we get what we negotiate. **PM**



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