

AD-A261 653



2

NAVAL POSTGRADUATE SCHOOL Monterey , California



THEESIS

DTIC
SELECTED
S-8-D
MAR 19 1993

IDENTIFICATION OF NEGOTIATION TACTICS AND
STRATEGIES OF ARMY NEGOTIATORS

by

Thomas M. Besch

December, 1992

Thesis Advisor:

David V. Lamm

Approved for public release; distribution is unlimited

93-05822

00 1 3 18 146



UNCLASSIFIED

SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE

1a. REPORT SECURITY CLASSIFICATION Unclassified		1b. RESTRICTIVE MARKINGS	
2a. SECURITY CLASSIFICATION AUTHORITY		3. DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited.	
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE			
4. PERFORMING ORGANIZATION REPORT NUMBER(S)		5. MONITORING ORGANIZATION REPORT NUMBER(S)	
6a. NAME OF PERFORMING ORGANIZATION Naval Postgraduate School	6b. OFFICE SYMBOL (If applicable)	7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School	
6c. ADDRESS (City, State, and ZIP Code) Monterey, CA 93943-5000		7b. ADDRESS (City, State, and ZIP Code) Monterey, CA 93943-5000	
8a. NAME OF FUNDING/SPONSORING ORGANIZATION	8b. OFFICE SYMBOL (If applicable)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
8c. ADDRESS (City, State, and ZIP Code)		10. SOURCE OF FUNDING NUMBERS	
		Program Element No.	Project No.
		Task No.	Work Unit Accession Number
11. TITLE (Include Security Classification) Identification of Negotiation Tactics and Strategies of Army Negotiators			
12. PERSONAL AUTHOR(S) Thomas M. Beach			
13a. TYPE OF REPORT Master's Thesis	13b. TIME COVERED From	14 DATE OF REPORT (year, month, day) DECEMBER 1992	15 PAGE COUNT 111
16. SUPPLEMENTARY NOTATION The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.			
17. COSATI CODES		18. SUBJECT TERMS (continue on reverse if necessary and identify by block number) Negotiation, Tactics, Strategies	
FIELD	GROUP	SUBGROUP	
19. ABSTRACT (continue on reverse if necessary and identify by block number) This research examines the tactics and strategies used most frequently by 138 Army negotiators randomly selected from throughout the continental United States. Respondents selected from 32 tactics those which they used most often, and those which they felt industry used most often against them. Respondents also rank ordered ten strategies according to the frequency in which they were used, and the order in which they preferred their use. The strategies were also examined for preference under five different contract situations. The survey questionnaire method was used to collect information of demographics, and negotiator's use of tactics and strategies. Frequency distributions, Kendall Tau-b and the Spearman rank correlation tests were used to examine tactics and strategies for preference of use and to test for agreement. Analysis indicates that Army negotiators employ tactics and strategies that rely on statistical analysis, and negotiate in as professional and straightforward a manner as possible. However, evidence indicated that an adversarial relationship exists between Government and industry.			
20 DISTRIBUTION/AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS REPORT <input type="checkbox"/> DTIC USERS		21 ABSTRACT SECURITY CLASSIFICATION UNCLASSIFIED	
22a. NAME OF RESPONSIBLE INDIVIDUAL David V. Laram		22b TELEPHONE (Include Area code) (408) 656-2775	22c OFFICE SYMBOL ASLT

DD FORM 1473, 04 MAR

83 APR edition may be used until exhausted
All other editions are obsoleteSECURITY CLASSIFICATION OF THIS PAGE
UNCLASSIFIED

Approved for public release; distribution is unlimited.

Identification of Negotiation Tactics and Strategies of Army Negotiators

by
Thomas M. Besch
Captain, United States Army
B.A. United States Military Academy

Submitted in partial fulfillment
of the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL

December 1992

Author:

Thomas M. Besch

Thomas M. Besch

Approved by:

David V. Lamm

David V. Lamm, Thesis Advisor

Rebecca J. Adams

Rebecca J. Adams, Second Reader

David R. Whipple, Chairman
Department of Administrative Sciences

TABLE OF CONTENTS

LIST OF TABLES.....	vi
LIST OF FIGURES.....	vii
ABSTRACT.....	viii
I. INTRODUCTION	
A. GENERAL ISSUE.....	1
B. SPECIFIC PROBLEM.....	2
B. OBJECTIVE AND RESEARCH QUESTIONS.....	3
C. SCOPE, LIMITATIONS AND ASSUMPTIONS.....	4
E. METHODOLOGY.....	5
F. PRINCIPLE TERMS AND DEFINITIONS.....	6
G. ORGANIZATION.....	7
II. THEORETICAL FRAMEWORK	
A. INTRODUCTION.....	9
B. STRATEGY AND TACTICS.....	10
C. FACTORS OF STRATEGY.....	11
D. FACTORS OF TACTICS.....	20
E. SUMMARY.....	24
III. RESEARCH METHOD	
A. POPULATION AND DATA COLLECTION PLAN.....	26
B. SURVEY INSTRUMENT.....	27
C. STATISTICS.....	30
D. SUMMARY.....	33
IV. FINDINGS AND ANALYSIS OF NEGOTIATION TACTICS	
A. INTRODUCTION.....	34
B. DEMOGRAPHICS OF SAMPLE POPULATION.....	34
C. FREQUENCY AND RANKING OF THE TACTICS.....	47
D. SUMMARY.....	54
V. FINDINGS AND ANALYSIS OF NEGOTIATION STRATEGIES	
A. INTRODUCTION.....	56
B. FREQUENCY AND PREFERENCE OF STRATEGY USE.....	57
C. STRATEGIES PREFERRED IN VARIOUS CONTRACT SITUATIONS.....	65
D. SUMMARY.....	76
VI. CONCLUSIONS AND RECOMMENDATIONS	
A. INTRODUCTION.....	78
B. CONCLUSIONS.....	79
C. RECOMMENDATIONS.....	81
D. ANSWERS TO THE RESEARCH QUESTIONS.....	82

E. SUGGESTIONS FOR FURTHER RESEARCH.....	85
APPENDIX A: LIST OF CONTRACTING ACTIVITIES AND OFFICES WHICH PARTICIPATED IN THE SURVEY.	87
APPENDIX B: SURVEY COVER LETTER AND QUESTIONNAIRE.....	89
LIST OF REFERENCES.....	98
INITIAL DISTRIBUTION LIST.....	102

LIST OF TABLES

TABLE	PAGE
1. SIX CATEGORIES OF NEGOTIATION TACTICS.....	24
2. FREQUENCY DISTRIBUTION AND RANKING OF 33 TACTICS...50	50
3. RANK ORDER OF ARMY NEGOTIATOR VERSUS CONTRACTOR TACTICS.....	53
4. TEN STRATEGIES AND DEFINITIONS.....	57
5. AVERAGE RANK SCORES AND RANKING OF STRATEGY FREQUENCY OF USE AND STRATEGY PREFERENCE.....59	59
6. COMPARISON OF TEN STRATEGIES.....	60
7. FREQUENCIES OF STRATEGIES UNDER DIFFERENT CONTRACT TYPES.....	66
8. STRATEGY FREQUENCIES BASED ON DOLLAR VALUE.....67	67
9. STRATEGY RANKINGS BASED ON CONTRACTUAL ACTION.....70	70
10. STRATEGY RANKINGS BASED ON TYPE OF ACQUISITION OR PROGRAM.....	73
11. STRATEGY RANKINGS BASED ON DEGREE OF COMPETITION...75	75

DTIC QUALITY INSPECTED **R**

Accession For	
NTI	<input checked="" type="checkbox"/>
DTIC TAB	<input type="checkbox"/>
Unannounced	<input type="checkbox"/>
Justification	
By _____	
Distribution/ _____	
Availability Codes _____	
Distr	Avail and/or Special
A-1	

LIST OF FIGURES

FIGURE	PAGE
I. SYNERGISTIC NEGOTIATION PLANNING RELATIONSHIPS.....	11
II. THE NEGOTIATOR'S DILEMMA.....	15
III. AGE FREQUENCY DISTRIBUTION.....	35
IV. PROPORTION OF MALE AND FEMALE RESPONDENTS.....	36
V. MILITARY RANK AND CIVILIAN GRADE FREQUENCY.....	37
VI. YEARS OF FEDERAL SERVICE.....	38
VII. YEARS IN CONTRACTING.....	39
VIII. EDUCATION LEVEL.....	40
IX. NEGOTIATION TRAINING COURSE ATTENDANCE.....	41
X. FREQUENCY OF NEGOTIATING CONTRACTS.....	42
XI. DISTRIBUTION BY DUTY POSITION.....	43
XII. DISTRIBUTION BY DUTY RESPONSIBILITIES.....	44
XIII. TYPE OF CONTRACTING ORGANIZATION.....	45
XIV. NUMBER OF NEGOTIATION EXPERIENCES.....	47
XV. PERCENT OF CPCM CERTIFIED RESPONDENTS.....	48

ABSTRACT

This research examines the tactics and strategies used most frequently by 138 Army negotiators randomly selected from throughout the continental United States. Respondents selected from 32 tactics those which they used most often, and those which they felt industry used most often against them. Respondents also rank ordered ten strategies according to the frequency in which they were used, and the order in which they preferred their use. The strategies were also examined for preference under five different contract situations. The survey questionnaire method was used to collect information of demographics, and negotiator's use of tactics and strategies. Frequency distributions, Kendall Tau_b, and the Spearman rank correlation tests were used to examine tactics and strategies for preference of use and to test for agreement. Analysis indicates that Army negotiators employ tactics and strategies that rely on statistical analysis, and negotiate in as professional and straightforward a manner as possible. However, evidence indicated that an adversarial relationship exists between Government and industry.

I. INTRODUCTION

A. GENERAL ISSUE

As a result of recent world events, such as the fall of the Berlin wall and the dissolution of the Soviet Union, and the growing United States Federal deficit, the American people are demanding a smaller defense budget. In spite of this demand for less spending on the military, trouble spots still exist around the world and the leaders of the American military continue to stress the importance of a capable, flexible, potent military, able to exert influence anywhere in the world. In order to reduce spending on defense while maintaining the capability of United States Armed Forces, the current U.S. strategy calls for a smaller continental United States-based military trained to employ high technology weapon systems and ready to rapidly deploy anywhere in the world to accomplish a variety of missions. This strategy is not a matter of doing the same with less, rather it expects the military of tomorrow to do more with less. Accomplishing this ambitious goal while undergoing a budget reduction demands a vision of the future, a clear set of strategic objectives, a unified effort to achieve those objectives, and greater efficiency.

As the Pentagon struggles to limit the erosive effects of budget cuts on its capabilities, effectiveness in all phases of the budgeting and outlay processes becomes increasingly important. One area that may have the greatest long term budgetary affect is the Government acquisition process. [Ref. 44:p. 3] The costs

associated with acquisition represent outlays that may be reduced without having a commensurate effect on readiness or capabilities because the costs incurred in the acquisition process are themselves directly correlated to the negotiating skills of the contracting officer.

B. SPECIFIC PROBLEM

Due to the complexities and pressures involved in Government contracting, specifically, complying with a myriad of regulations and legislative guidelines, often with time constraints and understaffed, Army Contracting Officers are not as effective as they could be. Although formal training now exists for contracting professionals who are involved in negotiating contracts, the amount of formal training varies greatly throughout the community. Most contract negotiators initially learn through on-the-job training. This often means observing a more experienced negotiator and then, through trial and error, learning what tactics and strategies work and which do not. In the worst case, the inexperienced Government negotiator may not even recognize the nature and extent of strategies and tactics being used against him or her by a contractor. In such a case, one would expect that the contract would most likely favor the defense contractor. If contracting professionals were better prepared, the Army would probably be better represented in the contract negotiation process.

C. OBJECTIVE AND RESEARCH QUESTIONS

The purpose of this research is to determine if U.S. Army contracting officers and negotiators use similar negotiation tactics and strategies and if so, which are used most frequently and under what circumstances. In addition, this study seeks to identify which negotiation tactics and strategies they perceive their commercial counterparts most often use against them. Any trends that indicate a superior set of strategies or tactics which could result in a more efficient or effective contract will be discussed.

The research questions in support of this objective were as follows:

1. PRIMARY RESEARCH QUESTION:

What negotiation strategies and tactics are most frequently used by Army contract negotiators and what tactics do they perceive their industry counterparts most often use against them?

2. SUBSIDIARY RESEARCH QUESTIONS:

- a) What does current literature and theory say about negotiating tactics and strategies?
- b) What is the profile of the Army negotiator?
- c) Which tactics do Army negotiators use most frequently?
- d) Which tactics do Army negotiators perceive their commercial counterparts use most frequently?
- e) Which strategies do Army negotiators use most frequently?

f) What strategies are used under different contract situations?

D. SCOPE, LIMITATIONS, AND ASSUMPTIONS

This research is the third project of its type. The first study entitled Identification of Negotiation Tactics and Strategies of Air force Contract Negotiators, was conducted by Air Force Captains Robert M. Catlin and Bernard J. Faenza in 1985. [Ref. 9] A follow-up study entitled Examination of Negotiation Tactics and Strategies of Air Force Logistics Command Contract Negotiators, was conducted by Air Force Captain Terry L. Peterson in 1986. [Ref. 36] Between the two studies, questionnaires from 370 Air Force contract negotiators were examined to determine the use and preference for ten negotiation strategies and the frequency of use for thirty-two negotiation tactics. To date, no similar Army study has been conducted. To enable a direct comparison with these previous studies, the same questionnaire (with minor modifications) was used for this research.

The population used for this survey was obtained from the Army Contracting Organization and Management Data directory dated April 1992. Response to the questionnaires was limited by the fact that it was a voluntary survey. No effort was made to limit or balance the types of organizations surveyed. The primary objective was to maximize the number of surveys sent to Army Contracting Officers and specialists. Although the survey respondents remained anonymous, a list of the organizations solicited to assist are

displayed in Appendix A. The assumption has been made in this study that the responses to this survey are honest and truthful and that they are representative of the Army contracting community. Any conclusions drawn from the data received from this survey would apply throughout the Army Acquisition Corps. In light of the above assumption, it is important to consider that the answers to the survey questions are Army contract negotiators' opinions of which strategies or tactics they use or have used in different situations and may not actually be representative of what they have done in the past. Additionally, the Army contract negotiators' perceptions of which strategies and tactics their industry counterparts use against them, are opinions which may reflect existing bias or prejudice.

E. METHODOLOGY

The data for this thesis consist of information gathered through a questionnaire. This questionnaire was adapted from the one used in the 1985 Catlin and Faenza study. The survey was sent to Army Contracting offices throughout the country. A list of the Army Contracting Offices was compiled with the assistance of the Army Contracting Support Agency. No effort was made to organize or limit the respondents of this survey. Therefore, the sample received can be considered random to the extent that surveys were sent to every type of unit listed in the Army Contracting Organization and Management Data directory and surveys were randomly returned. The survey consisted of two parts. Part one

gathered data on the profile of the respondent. Part two involved three sections. Section one asked the respondent to indicate the negotiating tactics he or she used most often from a list of 32 tactics. In addition, the respondent was asked to identify the tactics perceived to be used most often by his/her contracting counterpart in industry. Section two asked respondents to rank ten strategies in the order of the frequency used, and section three asked that the negotiators to indicate their most preferred strategy under different circumstances, e.g. contract type, dollar amount, type of acquisition, and degree of completion. The Kendall Tua, and Spearman's tests were used to test for independence or agreement between Government and civilian negotiators.

F. PRINCIPLE TERMS AND DEFINITIONS

Although the following terms have been defined differently by numerous source., a synthesis of these terms is outside the scope of this research. Terms are adapted directly from the original Air Force study by Catlin and Faenza in order to ensure that the meanings of terms and concepts are similar. [Ref. 9] As a result, respondents to this questionnaire answered questions within the same context as both groups of previous respondents, and the data from this survey are contrasted with the data collected twice before.

Negotiations, Negotiating, Negotiate: These terms characterize the discussions or bargaining between Government and industry in order to reach agreement on type, number, and price of military items,

and the terms and conditions of the contract, including those relating to legal rights and obligations, delivery, payment disputes, remedies, and others prescribed by law and/or specifically consented to by both parties. [Ref. 9: p. 6]

Strategy: This term means a specific plan designed to achieve some overall objective. Strategic planning involves determining overall objective(s) before the detailed methods to be employed (tactics) are selected. A strategy may be an individual tactic or an accumulation of tactics employed in negotiations. [Ref. 9: p. 7]

Tactic, Technique: A tactic is a particular action deliberately committed or omitted to support a predetermined strategy., For example, conceding on minor issues is a tactic generally used to stimulate concessions from the other negotiator, while deliberately avoiding answering a question may be designed to stall the negotiations or test the patience of the other side.

[Ref. 9: p. 7]

G. ORGANIZATION

Chapter I has introduced the importance of contract negotiations as the military strives to maximize what it can buy with its shrinking budget. Specifically, the important role that contract negotiators play, and how any insight which might make contract negotiators more efficient and effective can benefit the military in a significant way. The research question and related subsidiary questions were described. The scope, limitations, and assumptions, followed by a discussion of the research methodology

concluded the chapter. Chapter II presents the theoretical framework which is the foundation of this research and analysis. Chapter III is a discussion of the research method. Chapter IV presents the profile summary of the survey respondents and analyzes the data collected on tactics. It identifies tactics used by Army contracting officers and those tactics they believe their counterparts in industry use against them. Chapter V analyzes the frequency of use and preference for use of ten strategies under a variety of conditions. Chapter VI presents conclusions, recommendations, and areas which merit further research.

II. THEORETICAL FRAMEWORK

A. INTRODUCTION

This chapter is designed to present the theoretical framework within which the research was conducted and analyzed. Following a brief reflection of the importance of negotiations in Government procurement, "strategies and tactics" will be defined and a clear understanding of the relationship between these two terms will be made. Next will be a discussion of types of strategies, and the strengths and weaknesses of each. Lastly, is an introduction to a number of the more commonly used tactics.

In 1989, Federal buying accounted for 14.1 percent, or \$184.2 billion of the Congressional budget of \$ 1,309.9 billion. [Ref. 38: p.2] The purchasing agents and contracting officers who are entrusted with the responsibility to spend the Department of Defense's portion of these funds have an extremely important task. "Nowhere else in the government acquisition process do the abilities of a single individual have so direct an impact on the money spent by the Department of Defense." [Ref. 38:p. 3] The responsible expenditure of funds allotted by Congress is not only important simply for the economic purpose of getting the best value for a fair and reasonable price, but also to avoid the negative impact that cost overruns and exorbitant prices have on "the public trust". Under the "free enterprise" system that exists in the U.S., the forces of free and open competition would ideally produce a fair and equitable price. However, a number of factors prevent

the Government from always using competition as a means of insuring a fair and reasonable price. As a result, the Department of Defense relies heavily on negotiations as a method of procurement. In order to use public funds most efficiently, Government contracting officers must be as experienced in contract negotiation strategies and tactics as their counterparts in private industry.

B. STRATEGY AND TACTICS

The terms "strategy and tactic" were defined in Chapter one, however, it is not uncommon to wonder what differentiates a strategy from a tactic and how are they both selected for a particular negotiation. Specifically, a strategy is a plan of action used to achieve some goal, while a tactic is a technique or maneuver used to carry out a strategy. In pursuing a certain strategy, any number of tactics might be used. [Ref. 6:Introduction] The National Contract Management Association diagrams this relationship between strategies and tactics very clearly in what they call the synergistic negotiations (SYNEG) planning relationship. [Ref. 33:p. VII-16] Figure I depicts the Acquisition Strategy as the foundation for a particular acquisition and sets the limits within which the contracting strategy is developed. From this foundation flows the contracting strategy, the negotiation strategy (which is the level that this research will focus on), and negotiation tactics. Figure I displays how each plan, strategy, or tactic is dependent upon the decision made at the level above, and an analysis of the factors at that level.

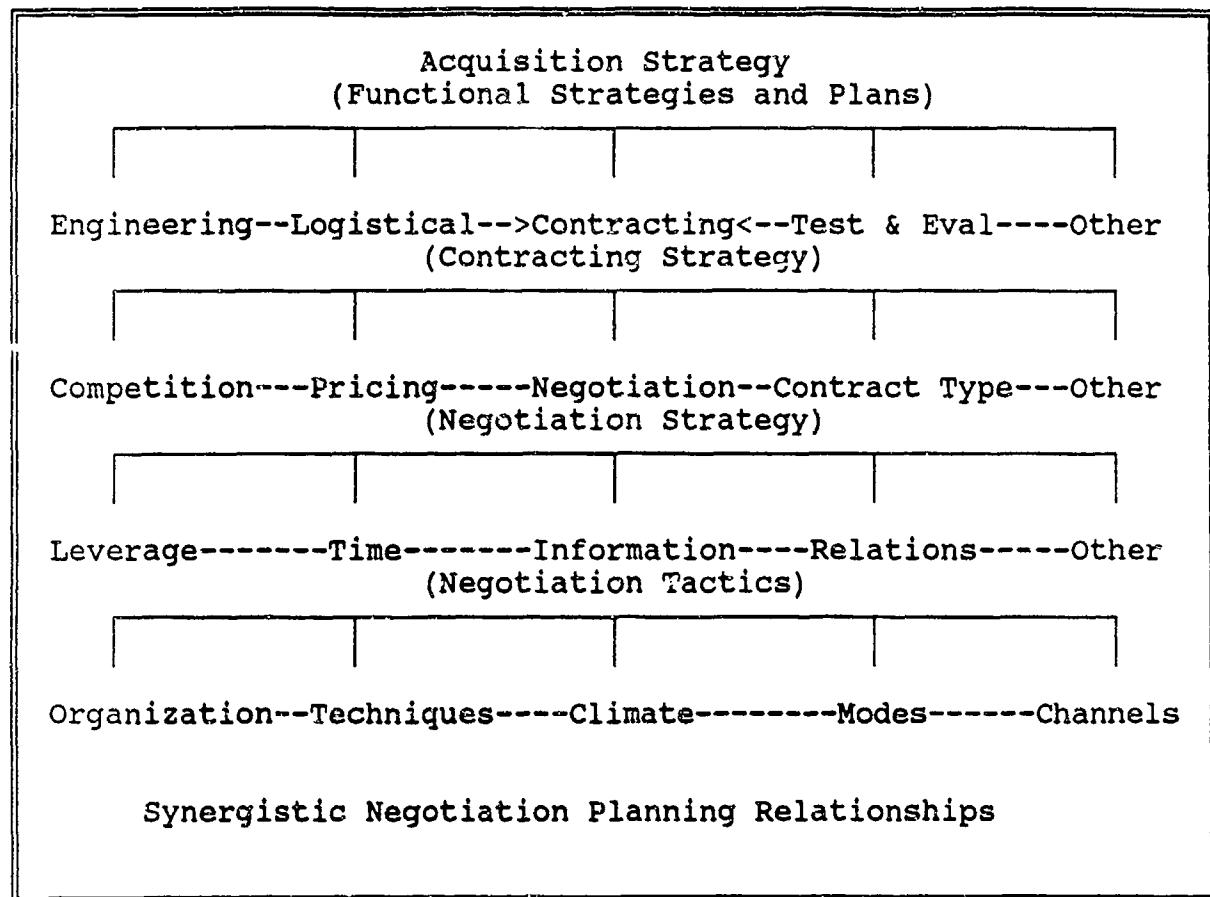


FIGURE I SYNERGISTIC NEGOTIATION PLANNING RELATIONSHIPS
SOURCE: [REF. 33:P. VII-16]

C. FACTORS OF STRATEGY

An analysis of elements such as competition, pricing, contract type and the extent of desired negotiations are the elements which give way to a negotiation strategy. As depicted in Figure I, there are four factors which must be considered when analyzing the negotiation environment in order to understand what the limitations are and therefore, how negotiations might be conducted: time, information, relations and leverage.

For this research it is important to be familiar with the four

key elements which must be studied prior to formulating a strategy. An analysis of these factors; time, information, relation, and leverage or power must be conducted to fully understand the environment in which negotiations will be conducted. [Ref. 33:p. IX-16]

Time refers to how much of this very important asset is available to each party and how it will act as a strength or weakness for either party. Information refers to what is available to both sides, the accuracy of the data, how additional information can be gathered, and who, if anyone, might be in an advantageous position. Relationship questions how long the buyer and seller will be involved together in business and includes the possibility of later renegotiations or a possible long term relationship. [Ref. 33:p. IX-16] Leverage or Power refers to the amount of sanction or assets a party can wield and thereby influencing the actions of the other. [Ref. 7:p. 46] In fact, Barlow and Eisen in "Purchasing Negotiations" felt that power was the most important of these factors and "will affect overall strategy and the type of tactics employed." [Ref. 2:p. 143] Once the environment has been analyzed, the negotiator or negotiating team must design or choose the strategy.

An analysis of negotiation literature published over the past thirty years was conducted in preparation for this research. Although different authors categorized strategies in many different ways and used different terms to describe similar concepts, only two general categories of strategies emerged. These categories of

strategies are "traditional" or "competitive" which involves positional bargaining, and "collaborative" or "principled negotiations" which involves interest bargaining. [Ref. 33:p. IX-19 & IX-21] In the traditional approach to negotiations, a price position is developed for a certain requirement under procurement. This price position usually consists of a maximum, minimum, and target price. The range between the maximum and minimum provides the negotiator bargaining room. Both the maximum and the minimum positions are based on the highest and lowest probable costs as best predicted through price analysis techniques. Negotiations usually begin with the seller quoting their ceiling price and the buyer their floor. The object of traditional negotiations is for both sides to discuss individual areas of disagreement and attempt to reach concessions in each area until agreement on the entire contract can be reached. It is not unusual for this process to take a great deal of time, money, and energy due to the numerous tactics that can be used and encountered throughout this exchange. Volumes have been written advising negotiators how to win at this game of compromise. [Ref. 19:p. 6]

Traditional negotiations are the most common type of strategies used in Government contracting. [Ref. 21:p. 97] The danger in using traditional strategies is that by maximizing one's gain, one can also maximize their opponent's losses. [Ref. 31:p. 157] The greatest weakness with this strategy is that in order to get what is considered to be a fair and equitable deal, one must be prepared to use and counter any number of several hundred different

tactics. [Ref. 20:p. 17] The result is the gamesmanship that typically is a part of Government negotiations. It is not unusual that by using this strategy a we-they or adversarial relationship develops between the negotiators. [Ref. 20:p. 18] Too often, one or both sides of a negotiation are willing to win at the expense of their opponent. Sometimes competitive negotiators get carried away in a power struggle with their opponents and find themselves in awkward positions. Those positions include a fear of losing face, feelings of personal pride from "beating" one's opponent, a lack of understanding of both side's needs, or feeling outside pressures such as a failing economy. The more attention paid to positions in a negotiation, the less attention is given to the issues and interests of each side. As a result, negotiators often conclude by splitting the difference between the last opposing offers rather than designing a solution that best meets the interests of both sides. [Ref. 19:p. 5]

This delicate balance between a win-win and a win-lose negotiation is often described by the experts as the Prisoners' Dilemma [Ref. 6:p. 103] or Negotiator's Dilemma (see Figure II). [Ref. 31:p. 157] In this model of negotiating behavior, two player's are engaged in negotiations and know the benefits resulting from the four possible outcomes. Although both players would benefit by working together, either player would benefit more if they used competitive gamesmanship while the other negotiated in a collaborative manner. Because of both negotiators' understandable lack of trust, especially when the negotiation is

		Player B's Choice	
		Collaborative	Competitive
		Good	Great
Player A's Choice	Collaborative	Good	Terrible
	Competitive	Terrible	Mediocre
	Competitive	Great	Mediocre

NOTE: Player A's payoff is at the lower left in each cell.
 Player B's payoff is at the upper right in each cell.

FIGURE II THE NEGOTIATORS DILEMMA. SOURCE: [REF. 31:P. 157]

very important, it is not uncommon for one or both sides to use this strategy. [Ref. 31:p. 157] It is more difficult to build trust when multiple players are involved in negotiations, subsequently negotiators are less likely to reach mutually beneficial results. Research using this model shows that players with frequent renegotiations learn to trust one another enough to collaborate to the benefit of both sides. [Ref. 31:p. 160-161] Research also supports the fact that if Player A can not determine if Player B uses gamesmanship, and Player B benefits, then Player B will usually not collaborate. In other words, negotiations become mutually beneficial when the negotiators build a trust in

relationships through frequent interaction. However, in spite of how long a relationship may exist, if one player is getting away with some benefit without the other player's knowledge, research indicates that this deceptive activity will probably continue. [Ref. 31:p. 162]

The result of such adversarial negotiations is often a loss of trust and a reluctance to negotiate without adequate precautions in the future. [Ref. 31:p. 34] Unfortunately, this is the state of Government negotiations with Industry today.

Today, most of the dealings between businesses and government in the United States are adversarial, as government probes, inspects, taxes, influences, regulates, and punishes. ... Business managers at all levels negotiate delays, develop means for partial compliance, defend themselves in lawsuits, and otherwise seek to minimize the impact of government on their operations while responding to the many disparate agencies with which business comes into contact. [Ref. 21:p. 97]

This dismal view of Government and Industry relations is not surprising if one accepts the Negotiator's Dilemma model as a realistic model of how most negotiations are conducted. The following quote from a 1967 Harvard Business Review article about negotiation gamesmanship supports just how accepted competitive negotiations are.

Be as sweetly unreasonable as possible in a convincingly logical fashion without permitting your opponent to decide that it is impossible to deal with you. [Ref. 24:p. 53]

Although competitive negotiations are often criticized because of the win-lose mentality that often results, the fact remains that it is a much more common strategy than principled negotiations. A few experts favor competitive negotiations for the following reasons:

1. Conflict is inevitable and not necessarily harmful.
2. Some kinds of conflict can contribute immeasurably to the health and well-being of the organization--for example, by stimulating productive competition.
3. No matter what the conflict, it can be managed in such a way that losses are minimized and gains maximized.

[Ref. 22:p. 24]

The most important reason that Government negotiates with a competitive strategy is to preserve the public trust. Less than arms-length relationships between Government and Industry lead the public to believe that collusion is occurring. In spite of the requirement to maintain a professional relationship between Government and Industry, relationships need not be as adversarial in nature as they have become in some cases. [Ref. 38: p. 84]

The second type of strategy is "principled negotiation" or "collaborative" bargaining. The intent of this strategy is to reach a satisfactory agreement between negotiating parties more efficiently and amicably than one would normally expect through competitive negotiations. [Ref. 45:p. 133] The objective to principled negotiation is to focus on the true interests and wants of each party, and through straight forward communication, attempt to achieve common ground. In 1968 Gerard I. Nierenberg began a prolific writing career by publishing "The Art of Negotiating", in which he discussed Maslow's Hierarchy of Needs as they apply to

negotiations. Nierenberg felt that there were often other objectives or interests that motivated people besides money, and if both negotiating parties' interests could be identified and satisfied, then both parties would benefit. [Ref. 34:p. 75] Since Nierenburg's work in the late 1970's, several authors have expounded the merits of collaborative bargaining. Two of the most notable have been members of the Harvard Negotiation Project specifically Roger Fisher and William Ury. [Ref. 19] In their book, "Getting to Yes", Fisher and Ury explain principled negotiations as changing the game and viewing negotiations in a more accommodating fashion. Fisher and Ury break this method down into four basic points; people, interests, options, and criteria.

Fisher and Ury felt that too often in negotiations people became emotionally entangled in their positions on an issue. As discussed earlier, when ego's become involved, negotiations can degrade to a battle of wills rather than issues. Therefore, in principled negotiations, both sides should try to see themselves as working together to achieve a common goal and try to "separate the people from the problem." [Ref. 19:p. 11]

Fisher and Ury's second point, interest, is similar to what Nierenburg espoused. That often there are underlying needs and to negotiate from positions, rather than recognizing and focusing on those needs which cause negotiations to be less efficient. Thus their second point is "focus on interests, not positions." [Ref. 19:p. 11]

The third point is to brainstorm as many options as possible.

Since both sides should be speaking candidly and working toward a common goal, possible solutions should be discussed and arrived at together. From this idea comes the concept, "invent options for mutual gain." [Ref. 19:p. 12]

The fourth point, "criteria", is used when sincere disagreement exists between two parties. Often, as in competitive bargaining, the more stubborn or patient party achieves the advantage from their opponent. However, often ill will is the result of this kind of confrontation. By "criteria", Fisher and Ury are referring to some kind of mutually agreed upon criteria that both sides will abide by. A fair standard might be a judge's ruling, market value, or an expert's opinion. Hence the last point, "insist on using objective criteria." [Ref. 19:p. 12]

As noted earlier during the discussion of the Negotiator's Dilemma Model, if both players have trust in one another, there is a basis for cooperation and mutual benefit. One way for principled negotiations to occur is for it to evolve over time as both parties learn to respect and understand each other. Principled negotiation is the type of strategy used frequently in Europe and Japan between Government and Industry. [Ref. 31:p. 160]

... partnerships often include, besides business and government, representatives of labor and special interest groups who work to resolve problems and to build a consensus on industry rules and standards in such areas as health, safety, and environmental protection. [Ref. 21:p. 99]

The greatest strength of principled negotiations is that since the negotiations are conducted without the time consuming gamesmanship

of competitive negotiations, satisfactory concurrence is usually reached faster, with more benefit to both parties, and better relationships which are often critical during follow-on negotiations.

Principled negotiation becomes a weakness when one side takes it to an extreme and begins to assume that what benefits his opponent benefits himself, but in fact it does not. [Ref. 20:p. 19] However, the greatest weakness of principled negotiation is described by the Negotiator's Dilemma. When a player is negotiating in good faith in a collaborative fashion, that player is left exposed to the tactics of a competitive negotiator. If one reveals too much information to a competitive counterpart, that information can be very detrimental. Research has shown that when a player is attempting to establish a collaborative and trusting environment, he has a surprising tendency to overlook a noncooperative attitude in his counterpart and is particularly vulnerable to being taken advantage of. [Ref. 31:p. 155]

D. FACTORS OF TACTICS

As discussed earlier in this chapter, a tactic is a technique or maneuver which, either used alone or in concert with other tactics, is used to carry out a strategy. As Figure I depicted, tactics should be a logical consequence of a well-prepared negotiation strategy and an analysis of those factors which effect the conduct of the negotiations. This relationship between tactics and strategy is very important, because it may not matter how

skillfully one executes tactics during negotiations, if the strategy selected is poor or based on incorrect assumptions, the negotiations could be disastrous. [Ref. 27:p. X-3] Tactics like strategies are based on direction provided by strategic goals and analysis of factors which help identify the environment of negotiations. The four areas that the National Contract Management Association has identified as critical for a complete understanding of the negotiations environment and the limits to each side are; organization, climate, modes, channels and techniques. [Ref. 33:p. VII-16]

Organization refers to the structure of the negotiations. Issues such as whether negotiations occur by telephone or in person, and use of a team approach and its authoritative structure are addressed. Also the kinds of skills or knowledge required, and the mixture of personalities most appropriate are examined. [Ref. 33:p. X-5 to X-7]

Climate refers to how well or poorly the negotiating parties relate to each other. Although establishing a certain type of climate is in itself a tactic, climate is considered a critical area in understanding the negotiations environment because its importance is often overlooked. If the proper climate can be set, the direction of negotiations can be influenced. Negotiation climates can be generally categorized as positive or negative in nature. Depending on the type of climate desired, one must consider the effect each tactic will have on the negotiating atmosphere before implementation. The following list of opposing

postures or actions demonstrate how some positions might encourage a collaborative environment, while the other position might promote animosity between the parties. [Ref. 33:p. X-20]

<u>Positive</u>	vs.	<u>Negative</u>
Description	vs.	Judgment
Problem Orientation	vs.	Control
Spontaneity	vs.	Manipulation
Empathy	vs.	Neutrality/Indifference
Equality	vs.	Superiority
Mental Flexibility	vs.	Certainty
Trust	vs.	Shady Behavior

Modes and channels refer to the methods by which we transfer and receive information. The three sources or modes of perceiving information are visual, auditory, or through the sense of feelings or emotions. Negotiators that understand that some people are oriented in one mode more than another, and are able to recognize these modes in their counterparts might be more effective communicators. Channels are similar to modes in that the three channels of communication are visual, verbal, and supporting or body language. To be a more effectual negotiator, it is critical to actively listen and be able to communicate efficiently on all three channels. [Ref. 33:p. X-23 & X-24]

The fourth area critical to understanding the negotiating environment, according to the SYNEG model represented in Figure I, are *techniques*. Techniques or tactics have been defined earlier as the tools used to carry out a negotiation strategy. One of the first American negotiation scholars to publish extensively on this subject was Dr. Chester L. Karrass. In 1968, Dr. Karrass published

a collection of 200 negotiation strategies and tactics in his book, " Give and Take: The Complete Guide to Negotiating Strategies and Tactics". [Ref. 28] Since that time, many books have been published listing hundreds of different tactics. However, except for changing some of the names, the definitions have remained basically the same. For this reason and also to allow comparison with the previous Air Force studies that used Dr. Karrass's terminology for tactics and strategies, his definitions were also used for this research. Different authors have organized their presentations of this subject in many different manners. Dr. Karrass listed his tactics alphabetically. [Ref. 28:p. Introduction] His son Gary Karrass organized his book on tactics in three general categories; offensive, defensive, and collaborative. [Ref. 30:p. 8-9] Richard H. Buskirk used the following categories in his book "Handbook of Managerial Tactics": operating tactics, personal relationships or political tactics, tactics critical on timing, and persuasive tactics. [Ref. 8:p. V-X] The National Contract Management Association uses six categories to organize negotiation tactics. These categories are worth listing because they are logical groupings that are easy to recall and should facilitate recognizing and countering tactics during negotiations (see Table I).

TABLE I SIX CATEGORIES OF NEGOTIATION TACTICS.
 SOURCE [REF. 27:P. X-9]

<u>AUTHORITY</u>	<u>INFORMATION</u>
Escalation	Agenda
Limits	Coverage
<u>DEMAND AND CONCESSIONS</u>	Credibility
Bogey	Fact Finding
Definite Action	Ranging
Ideal	Statistics
One Step	
Squeeze	<u>MOMENTUM AND TIME</u>
Combinations	Acceptance
Nibbles	Deadlock
Soviet Style	Reversal
<u>DIVERSIONS</u>	Deadlines
Briar Patch	Patience
Funny Money	Surprise
Hansel & Gretel	
Separation	<u>SETTLEMENT</u>
Diversion	Participation
Good Guy-Bad Guy	Closing
Withdrawal	

E. SUMMARY

This chapter examined the theoretical framework from which a study of those tactics and strategies used by Army Contracting Officers will be discussed. The two general categories of strategies, "competitive" and "principled" were defined and examined in terms of how they relate to the acquisition strategy and the other pertinent factors that influence the selection of a strategy. Additionally, tactics were discussed in terms of what factors are critical in order to select the most appropriate in a certain situation. Unlike strategies which are generally organized

into two categories, some of the methods for categorizing the multitude of tactics were also considered. An understanding of the factors or areas critical when deciding on a tactic or strategy is imperative for this research project in order to recognize trends of strategies and tactics as they might relate to the Army negotiator's environment.

III. RESEARCH METHOD

A. POPULATION AND DATA COLLECTION PLAN

The population used for this survey consists of Contracting Officers and Specialists, both military and civilian assigned within the continental United States (CONUS), who are members of the Army Acquisition Corps. The Army Acquisition Corps is the Army's program, formed in response to the Defense Management Review of July 1989. [Ref. 15:p. 2] The intent of the Army Acquisition Corps is to improve the Army's Acquisition process and reduce fraud, waste, and abuse throughout the process. The key purposes of the Army Acquisition Corps are to select qualified personnel to satisfy current critical acquisition positions, and to provide special training, education, and experience to develop those individuals to perform successfully in positions of greater responsibility. [Ref. 15:p. 1] Approximately 4,250 military and civilian personnel are assigned to the Corps. The majority of these are assigned in CONUS. [Ref. 15:p. 1] From this pool, 475 surveys were sent out to 38 different contracting offices. The sample organizations were obtained from the Army Contracting Organization and Management Data directory dated April 1992. [Ref. 1:p. 1] A list of the organizations solicited to assist are displayed in Appendix A. The collection technique used was to telephonically contact contracting organizations from the Army Contracting Organization and Management Data directory and establish a point of contact. The appropriate number of

questionnaires were sent to the points of contact with a personally addressed cover letter to refresh the addressees of the content of the survey, and to reinforce the importance of their participation to this research. The points of contact then distributed the surveys to their contracting personnel who had been previously identified as having contracting experience. Each survey included a postage-paid, pre-addressed envelope to facilitate its return.

Response to the questionnaires was limited by the fact that it was a voluntary survey. A major weakness of the mail survey approach is that any conclusions resulting from the data collected are possibly skewed due to the decision of most people surveyed to volunteer not to respond. No effort was made to limit or balance the types of organizations surveyed. The primary objective was to maximize the number of surveys sent to Army Contracting Officers and Specialists.

B. SURVEY INSTRUMENT

The questionnaire used for this study was the same as the questionnaire used in the two previous Air Force studies, with slight modifications in order to gather more detailed information. The areas of modification in this study were primarily in Part 1 which involved demographic information. The questionnaire is included in this study as Appendix B. Due to the uniform nature of the questionnaires of all three of these studies, results from these different studies are subject to comparison without compatibility problems. The original survey underwent a validation

and refinement process through testing with faculty and staff of the Air Force Institute of Technology. [Ref. 9:p. 19] Three hundred and one individuals responded to this survey during the first two studies. The questionnaire is composed of two parts. Part I requests information that constitutes the demographic portion of the data base. Part II asks specific questions concerning the respondent's experiences regarding negotiation tactics and strategies. The questionnaire requires approximately 30 minutes to complete.

The general information requested in Part I consisted of the following information from the respondents: age; sex; military rank or grade; total number of years of Federal service; total number of years in the contracting field; the highest level of formal education; the amount of professional contracting courses completed; the frequency that the respondent negotiated contracts; their current position and responsibilities; type of organization; estimated number of contracts they participated as lead or other than lead; and whether they are Certified Professional Contract Manager (CPCM) certified. This information was consolidated into a database and used to determine certain frequencies and whether certain correlations existed between tactics used by Army negotiators and industry, and the strategies preferred or used.

Part II, section one of the survey asked the respondents to rank the top five negotiation tactics that they used most often. The survey also asked that the respondents rank those tactics that they felt their industry counterparts used most often against them.

Once again, to allow comparison with the two previous Air Force studies, the tactics selected for this survey were the same 32 tactics selected by Catlin and Faenza in the original study. Respondents were encouraged to list other tactics that they or their counterparts used. Although a few respondents wrote in tactics that they felt involved less gamesmanship and suggested the principled negotiations style, the overwhelming majority of respondents selected only from the 32 tactics listed in the questionnaire. The lack of less confrontational tactics among the 32 tactics listed may provide data that could lead to inaccurate conclusions. Specifically, that negotiators use tactics that are more confrontational than they actually use or would choose if provided with a different list of tactics.

Part II, section two asked the respondent to choose and rank order from a list of the ten strategies, those most frequently used and then to rank order the same strategies in the order that they would prefer to use them. As in section one, the respondents are not limited to only the strategies that are listed in the questionnaire, but are encouraged to include any of their choice. Part II, section three utilized the same list of strategies as section two, to include any that the respondents may have added. This section asks the respondents to indicate the strategy that they prefer to use under different contract situations. The categories of contract situations are contract type, dollar amount, type of contractual action, type of acquisition, and degree of competition.

The information from this survey provides a list of the most frequently used tactics and strategies, and the strategy preference of Army contracting officers under a variety of contracting situations. An examination of these data should provide an insight into the Army contracting community.

C. STATISTICS

The two prior Air Force studies used the Statistical Package for Social Sciences (SPSS) for analysis of the data they collected. However, for this study's database, two computer software packages were used, Quattro Pro and SAS. Quattro Pro is a spreadsheet and database program which provides a comprehensive mathematical and statistical ability, as well as an integrated graphics capability. [Ref. 4:p. 3] Quattro Pro was used primarily to compile the demographic information. SAS is an integrated software system that, among other facilities, is an extremely complete statistical tool. [Ref. 39:p. 3] SAS was used in this study to conduct all computations on the data of Part II. It was particularly useful in determining whether correlation existed between two sets of data. This was required for all hypothesis testing and was a significant factor in the data analysis. In order to address the primary research question, statistics testing was executed on the database. Specifically, the frequency of preference or use, and ranking was determined for several different categories. Testing for level of agreement or consensus was conducted using two non-parametric tests, Kendall's Tau, and Spearman rank coefficient test.

Kendall's Tau_b (also called the Kendall rank correlation coefficient) determines the amount of relative agreement or concordance between two variables. In this test, the data of one variable are ranked from smallest to largest, then the data of the second variable are ranked using the same order as the first variable. Significant is the rank of the data value being compared, not the value of the data themselves. The amount of agreement between the ranking of two variables is then compared and is expressed on a scale between -1 (perfect disagreement) and 1 (perfect agreement). [Ref. 39:p. R-9] Within this range, a ranking of 0 would indicate that absolutely no agreement exists between the rankings of the two variables.

The Spearman rank correlation coefficient is similar to the Kendall test in that it compares the relative ranking of the data and not the values. However, the Spearman test rank orders the data of both variables and then compares the two columns of data. The amount of agreement between the pairs of data rankings is computed and is expressed on the same scale between -1 and 1. [Ref. 39:p. R-9] Two assumptions that are required to use the Kendall Tau_b or Spearman tests are as follows:

1. The data consist of 'm' complete sets of data or observations or measurements on 'n' objects or individuals.
2. The measurement scale is at least ordinal.
3. The observations as collected or recorded may consist of ranks... or be capable of being converted to ranks. [Ref. 14:p. 327]

Before a conclusion of relative agreement can be drawn from either of these two statistical tests, the results of either test must be significantly relevant. For this research, a 5% significance level was used. While a 1% significance level would indicate that the test is more likely to be accurate, using that high a level of accuracy would possibly eliminate a correlation that might be recognized using a 5% significance level, and could be valuable for analysis. [Ref. 23:p. 435] The null hypothesis (H_0) for the Kendall Tau_b test is defined as the two ranks of variables having association. If the null hypothesis is rejected, then the alternative hypothesis (H_1) is accepted, which indicates that some level of agreement (or disagreement) exists. The null hypothesis H_0 is rejected (thus H_1 is accepted) when the significance level of a given test is outside the 5% level identified as the standard. If the significance of a test fails to be accurate within 5%, than the null hypothesis is accepted and no determination of correlation or agreement between the two values can be made. Another way of stating this is that if H_0 is not rejected, the conclusion is that the data do not provide sufficient evidence to support the alternate hypothesis. [Ref. 23:p. 431] For example, if a Kendall Tau_b test results in a number close to 1, suggesting that a high level of agreement exists, but the significance level of the test is outside the 5% level of acceptance, then the null hypothesis is accepted and no determination of agreement would be made.

The Spearman test uses the same hypothesis test as the Kendall

Tau_b test. For this research, the Kendall Tau_b test will be the primary indicator of correlation. If the significance level is close to the 5% standard, then the Spearman test of rank correlation coefficient will be used to confirm the judgment of the Kendall Tau_b test.

D. SUMMARY

This chapter examined the population which was surveyed and the method in which the survey respondents were selected. Additionally, the questionnaire, the instrument on which this research was based was discussed in detail. Specifically, the organization of the survey into two parts; demographic information, and questions regarding preference and frequency of different tactics and strategies. The two non-parametric tests, Kendall Tau_b and the Spearman rank correlation coefficient tests, which were used to calculate the amount of agreement or correlation between two sets of ordered values were discussed. The survey collection technique, the questionnaire, and the methods of analyzing the data are fundamental components which are critical to this research. If any of these three components are incorrect for this study or incorrectly applied, then any resulting conclusions may be flawed and cannot be trusted. It is with this understanding of how the data was collected and calculated, that the results in the following chapter will be analyzed.

IV. FINDINGS AND ANALYSIS OF NEGOTIATION TACTICS

A. INTRODUCTION

The following discussion of the survey findings and the analysis of those findings will address the following subsidiary research questions 2b, 2c, and 2d. Respectively, those questions are as follows:

What is the profile of the Army negotiator?

Which tactics do Army negotiators use most frequently?

Which tactics do Army negotiators perceive their commercial counterparts use most frequently?

Specifically, data from Part I of the questionnaire will be analyzed to determine the profile of the Army negotiator. This information will be discussed in the order in which it was collected on the questionnaire.

B. DEMOGRAPHICS OF SAMPLE POPULATION

Respondent population. To construct the database for this survey, 475 individual surveys were sent out to 38 different Army Contracting activities and offices that agreed to participate in this study. (Appendix A) Surveys were returned by 138 respondents which is a response rate of 29.05%.

A frequency distribution of the ages of the sample population are displayed in Figure III. From the total sample population of Army negotiators that responded to the survey, 68% are between the age of 31 and 45, 23% of the remaining 32% are older than 46.

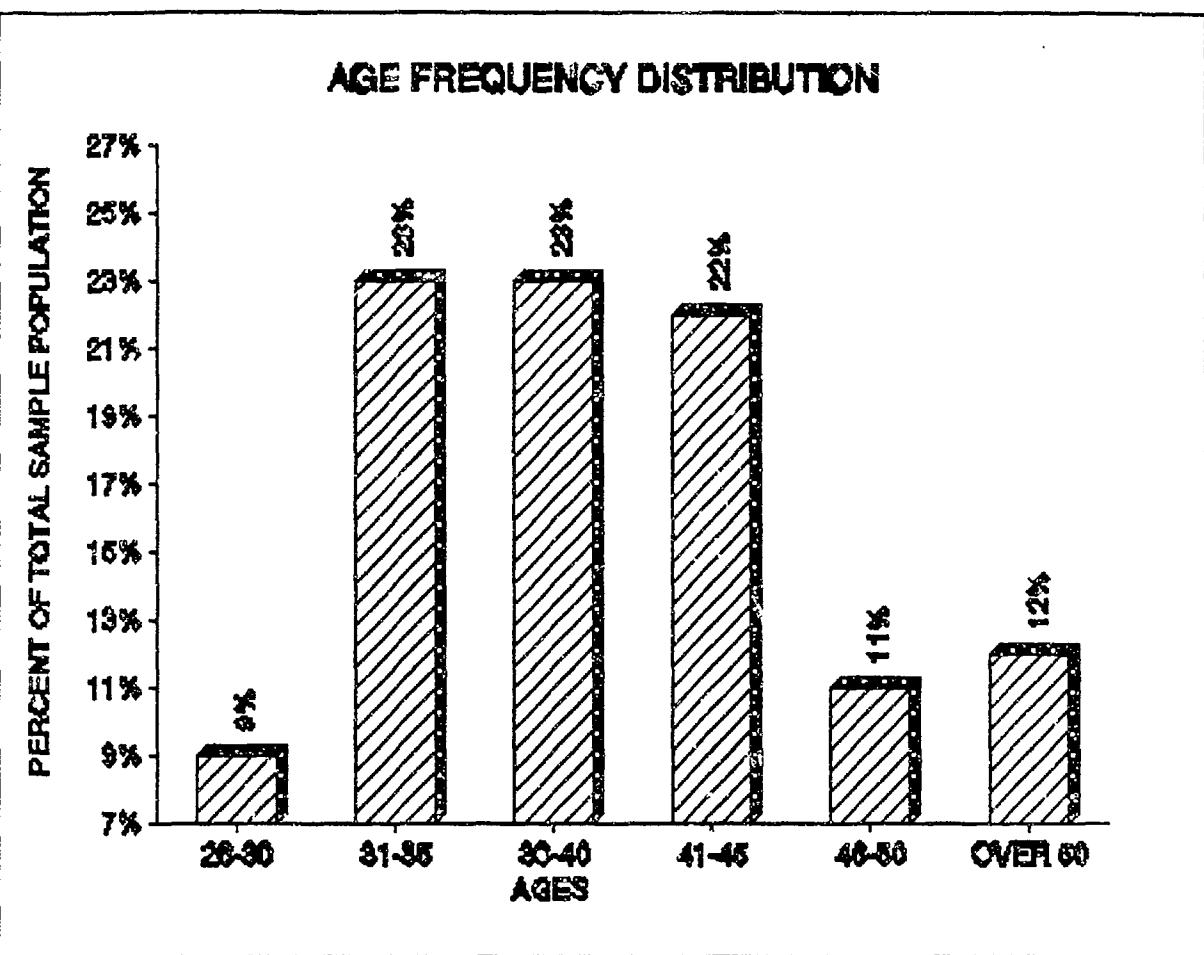


Figure III FREQUENCY DISTRIBUTION OF SAMPLE POPULATION BY AGE
SOURCE: DEVELOPED BY RESEARCHER

Figure IV depicts the distribution of respondents by sex. The ratio of males to females is almost evenly distributed.

PROPORTION OF MALE TO FEMALE RESPONDENTS

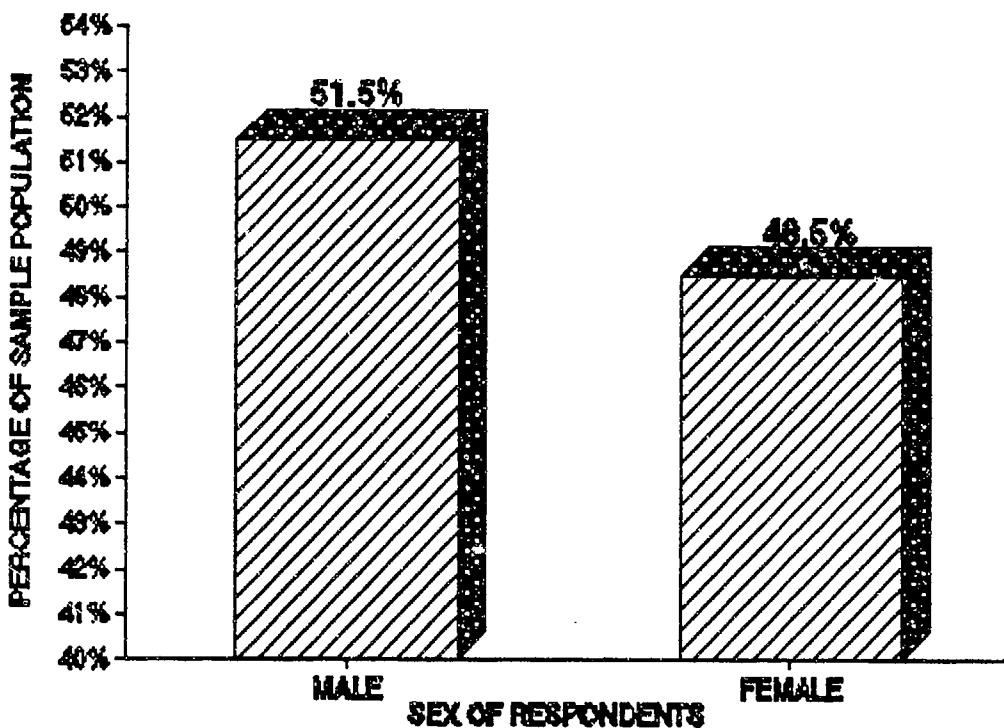


FIGURE IV SURVEY POPULATION REPRESENTED ACCORDING TO SEX.
SOURCE: DEVELOPED BY RESEARCHER

Figure V indicates the frequency distribution of the survey population by their respective military rank or civilian grade. The ranks and grades depicted constitute all of the respondents. The civilian grade, GS-10 is not listed because no one of that grade responded to the survey. This graph would indicate that relatively few personnel at a junior level (GS-9) are conducting negotiations. With the exception of five GS-9 respondents of the 138 in the survey pool, and a few military and senior grade

MILITARY RANK AND CIVILIAN GRADE DISTRIBUTION

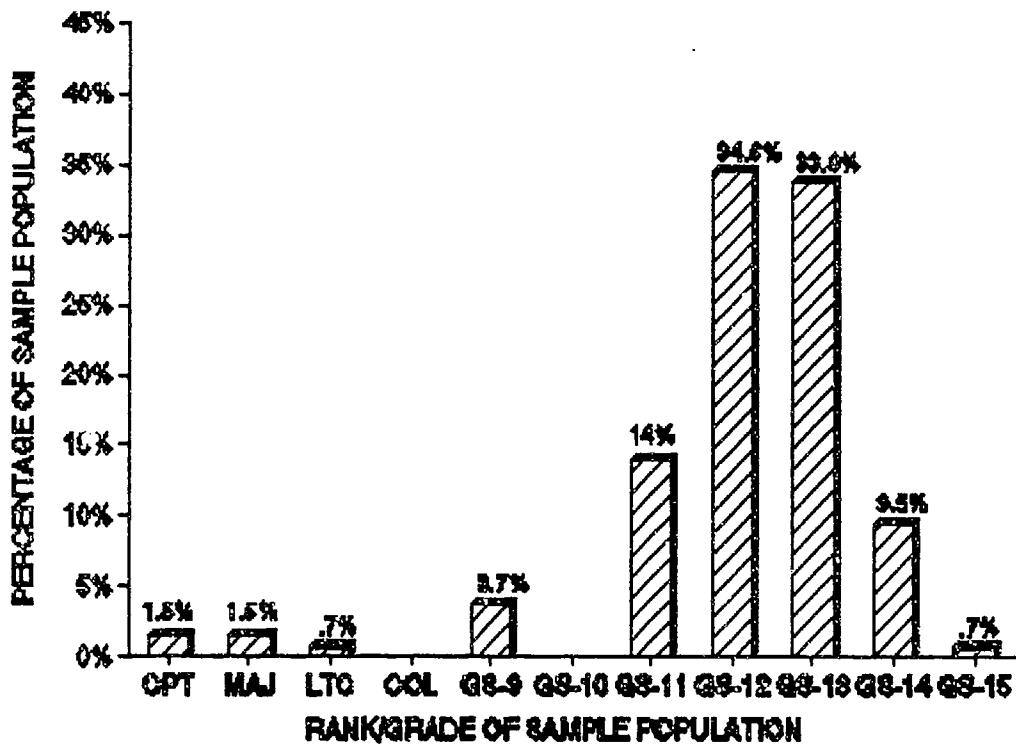


FIGURE V SAMPLE POPULATION DEPICTED BY RANK AND GRADE.
SOURCE: DEVELOPED BY RESEARCHER

civilians, Figure V would indicate that civilians in the grades of GS-11 and GS-12 constitute the bulk of the Army agency's contract negotiators.

Years of Federal service is depicted in Figure VI. Over 71% of the respondents had over 11 years of Federal service. This would indicate that most respondents work for the Federal Government as careerists rather than as temporary workers or as "job hoppers" who gather job skills and then leave the Federal

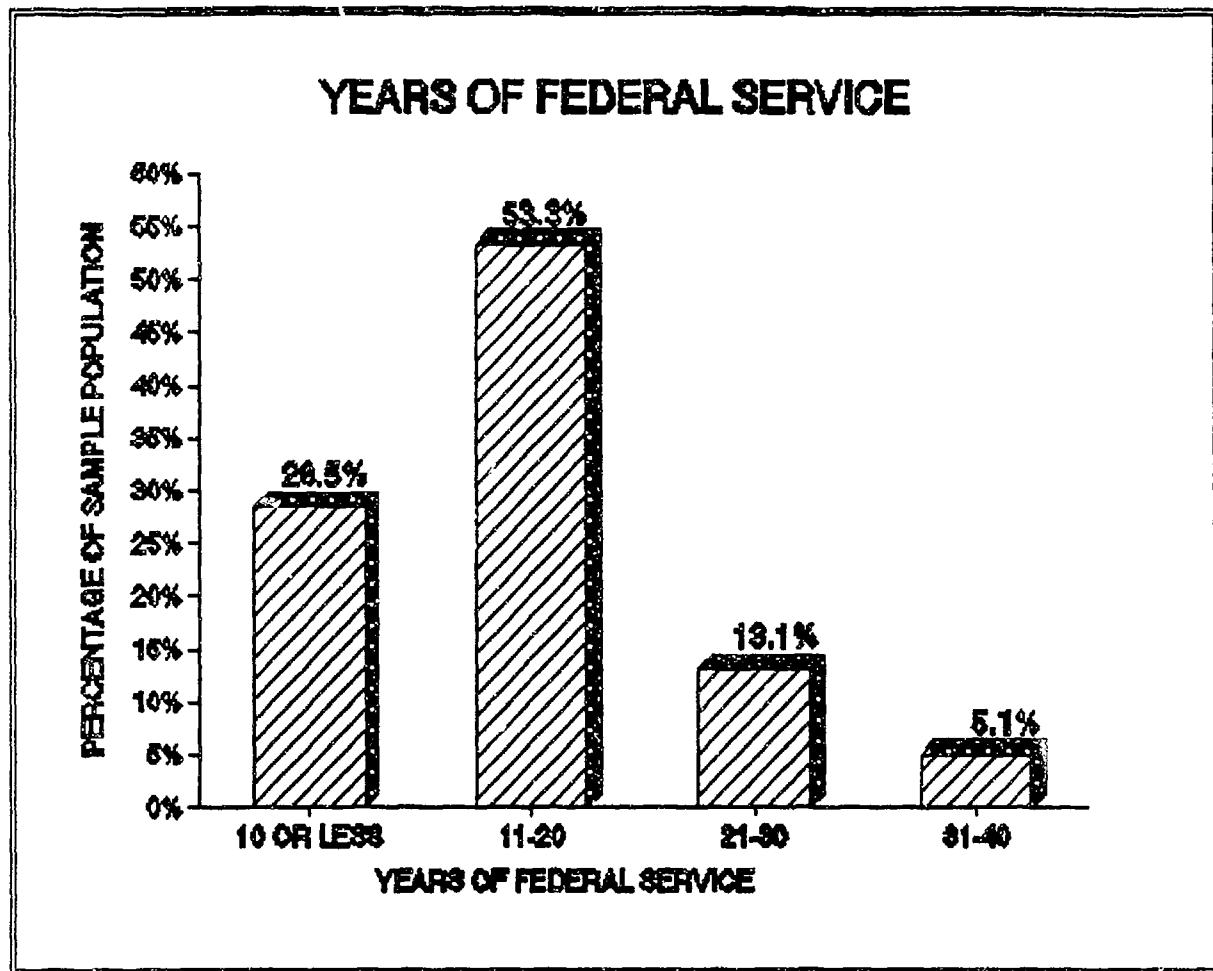


FIGURE VI SURVEY POPULATION DEPICTED BY YEARS OF FEDERAL SERVICE. SOURCE: DEVELOPED BY RESEARCHER

service.

Figure VII depicts the distribution of the survey population in respect to the number of years of spent in the contracting field. Analysis of Figure VII reveals that almost 50% of Army contracting officers and specialists have more than 10 years in the contracting field. A comparison between Figures VI and VII would indicate once an individual enters the contracting profession, the trend is for him or her to remain in the field.

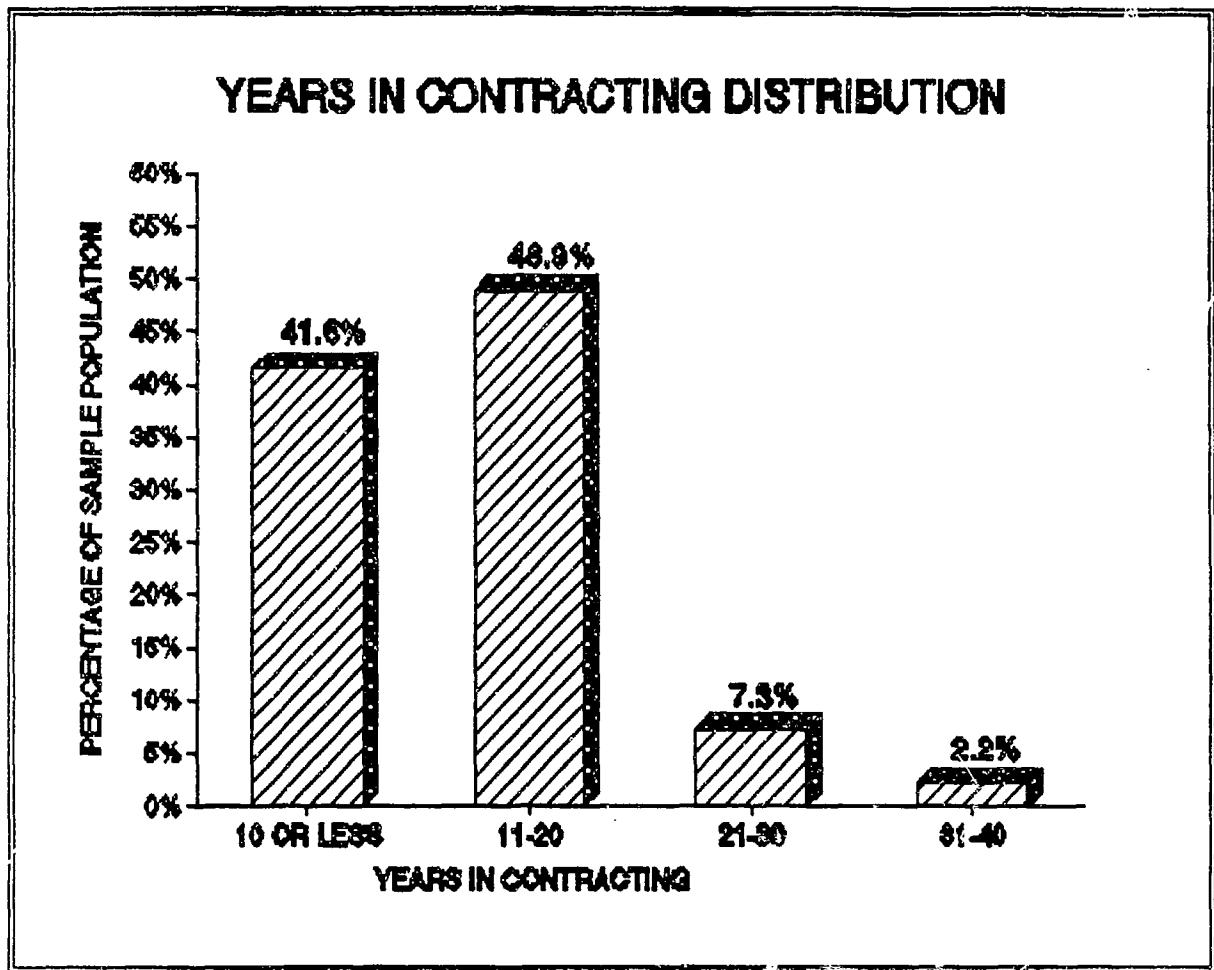


FIGURE VII SAMPLE POPULATION DEPICTED BY YEARS OF CONTRACTING EXPERIENCE. SOURCE: DEVELOPED BY RESEARCHER

The smaller percentage of individuals with over 20 years of contracting time compared to the greater number with Federal service time could indicate that some people do transfer into the contracting field after investing time elsewhere. Information from Figure V (Rank/Grade Distribution) would indicate that 50% of the people that transfer into the contracting field are military personnel. The data are insufficient to indicate where other transferees come from.

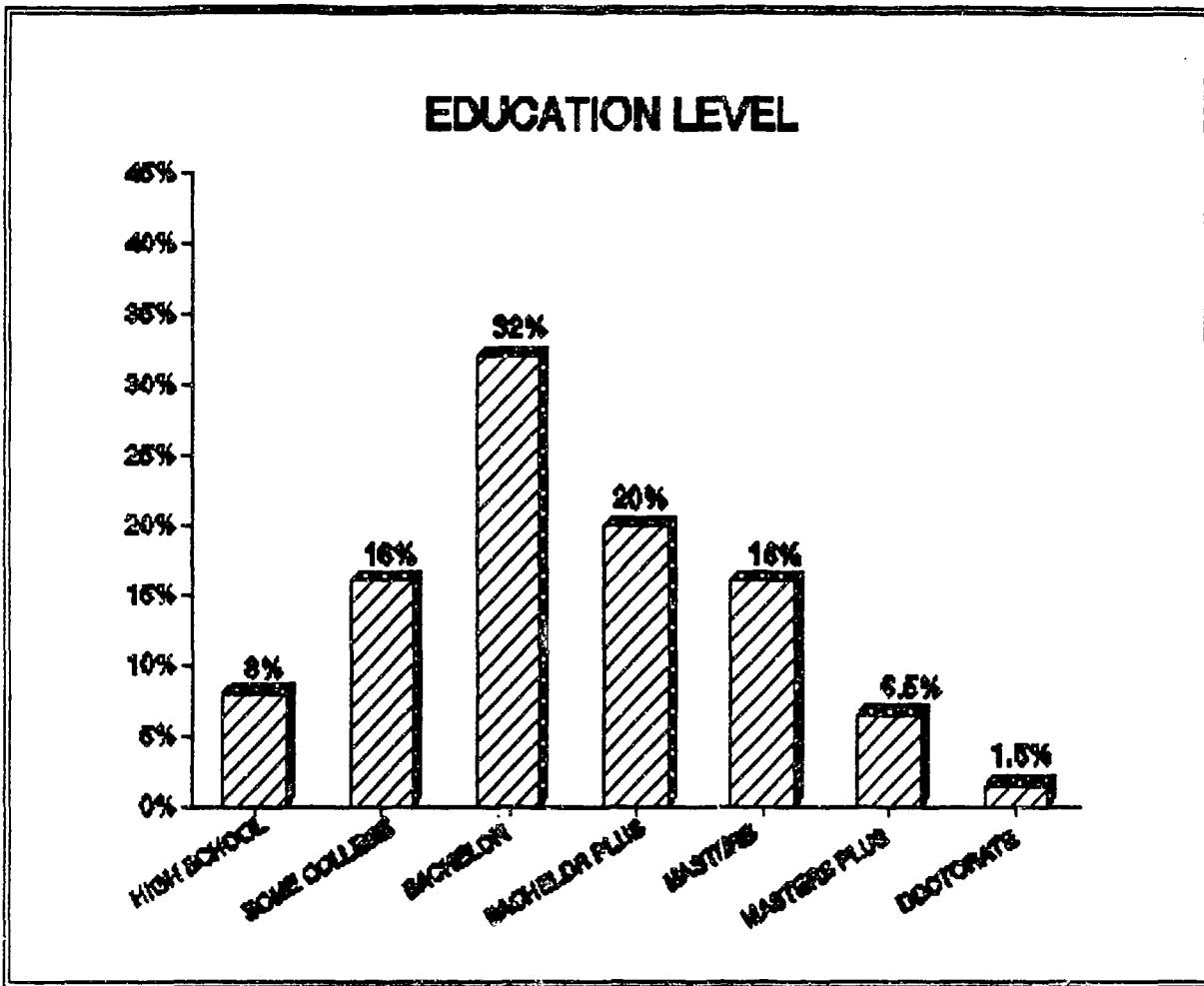


FIGURE VIII SURVEY POPULATION DEPICTED BY EDUCATION LEVEL

Figure VIII depicts the education level of the sample population. This graph displays a very high mean education level, with over 75% of respondents having at least a bachelor's degree.

Figure IX shows how many respondents had received formal schooling in contracting. In order to determine in which of the four educational categories to place each respondent, their responses were sorted as follows: those with no contracting courses were considered to have "NO FORMAL ED"; those who had attended only

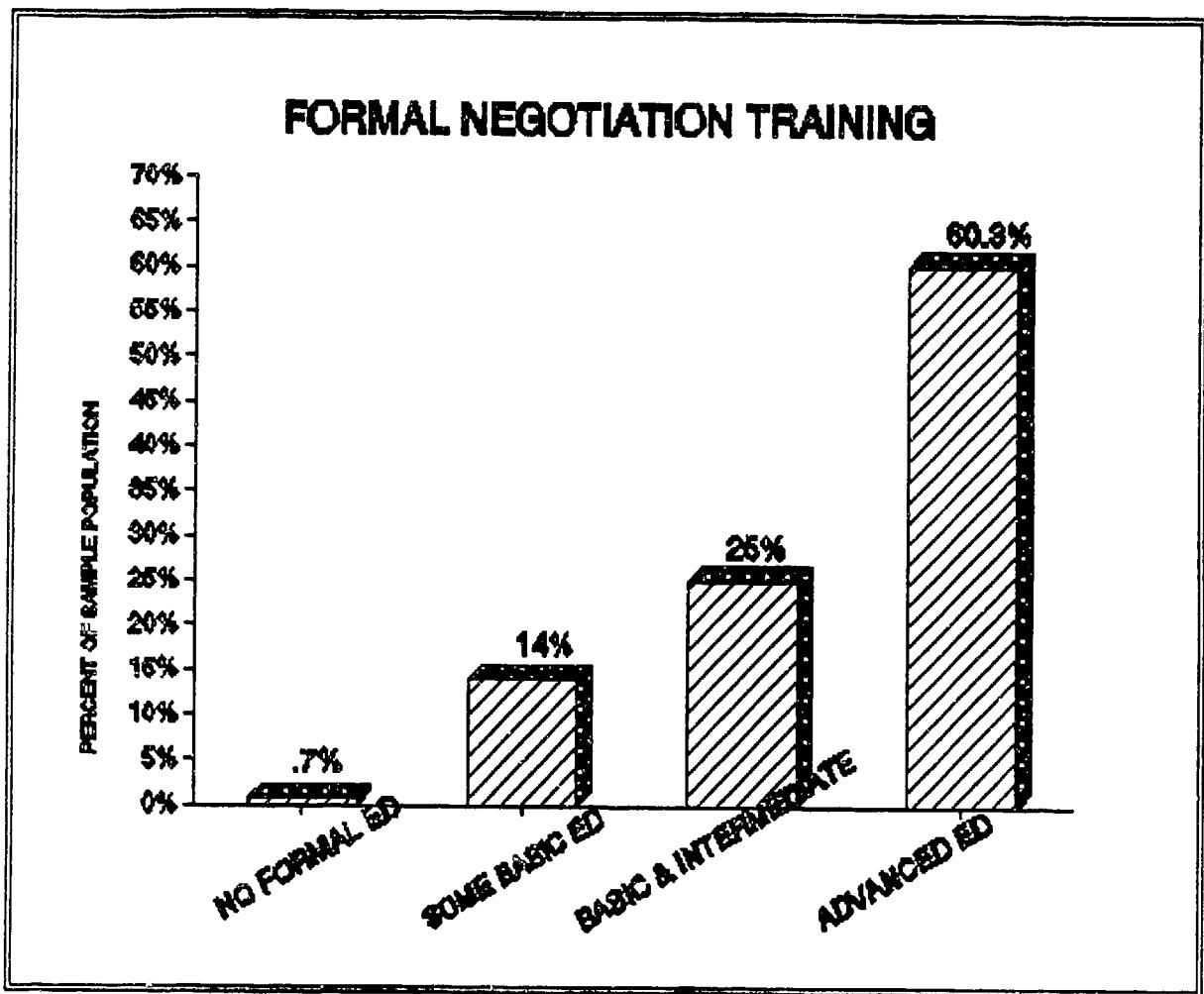


FIGURE IX SURVEY POPULATION DEPICTED BY AMOUNT OF FORMAL EDUCATION IN THE CONTRACTING FIELD.
SOURCE: DEVELOPED BY RESEARCHER

one or two of the following six courses - Basic Contract Pricing, Intermediate-level Contract Pricing, Cost and Price Analysis, Overhead Management, Contract Law, and Negotiations, were considered to have "SOME BASIC ED". Those who had completed three or more of these courses were considered to have "BASIC & INTERMEDIATE ED"; finally those who had completed one or more of the following advanced courses: Contract Pricing; Contract

Administration; Contract Management; and Contract Executive Training were considered to have "ADVANCED ED". The survey shows that over 60% of the respondents have had at least one advanced contracting course, indicative of a high level of formal training among respondents.

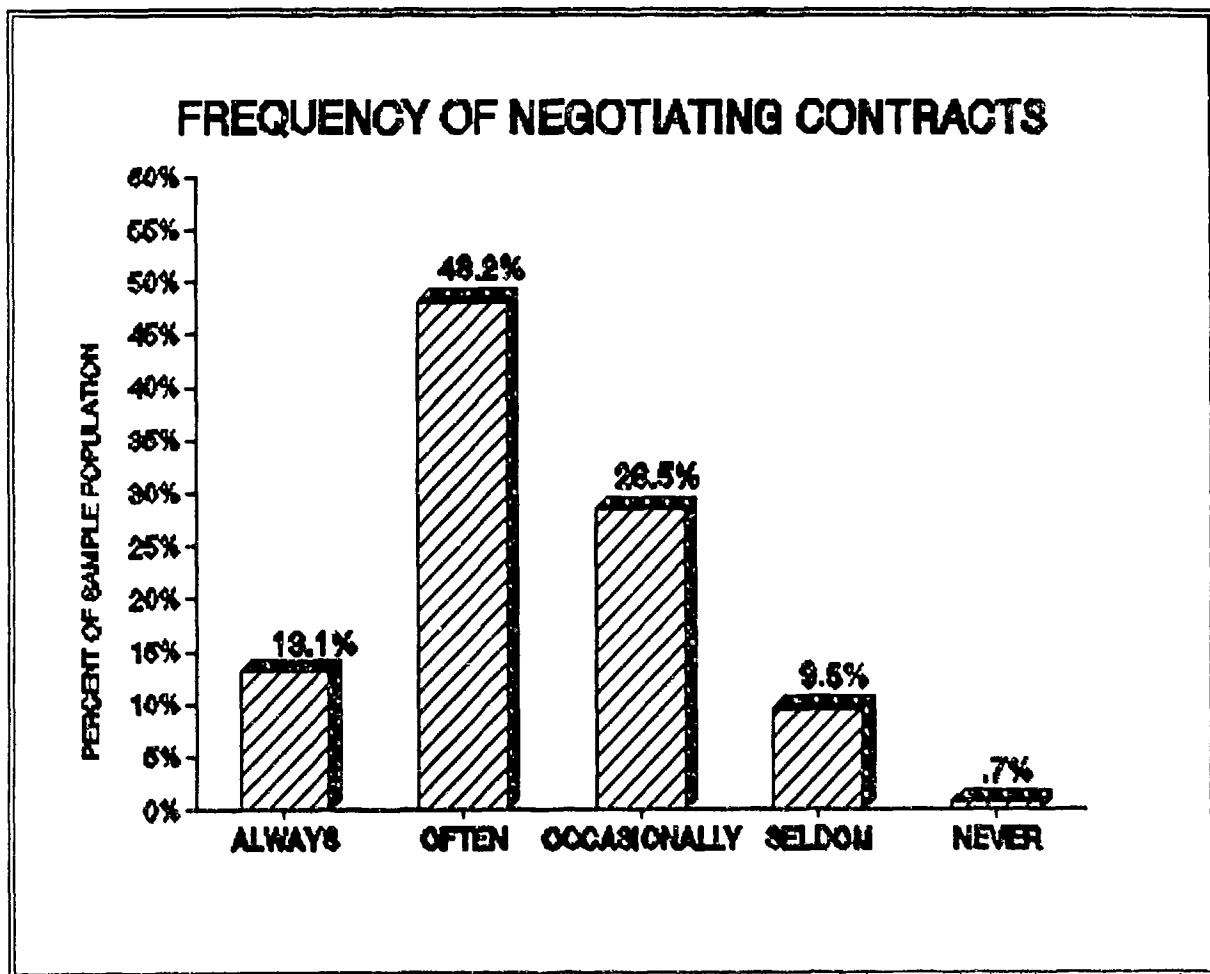


FIGURE X SURVEY POPULATION DEPICTED BY FREQUENCY WITH WHICH THEY NEGOTIATED CONTRACTS.
SOURCE: DEVELOPED BY RESEARCHER

Figure X shows the frequency with which the respondents felt they negotiated contracts. This survey was targeted at the individuals in each Army contracting agency or office who were

qualified to negotiate contracts. As would be expected, most of the respondents felt that negotiating contracts was a major portion of their job.

Figure XI shows the duty positions of the respondents. Besides showing distribution of the survey respondents, this graph validates that the questionnaire was received by the target population.

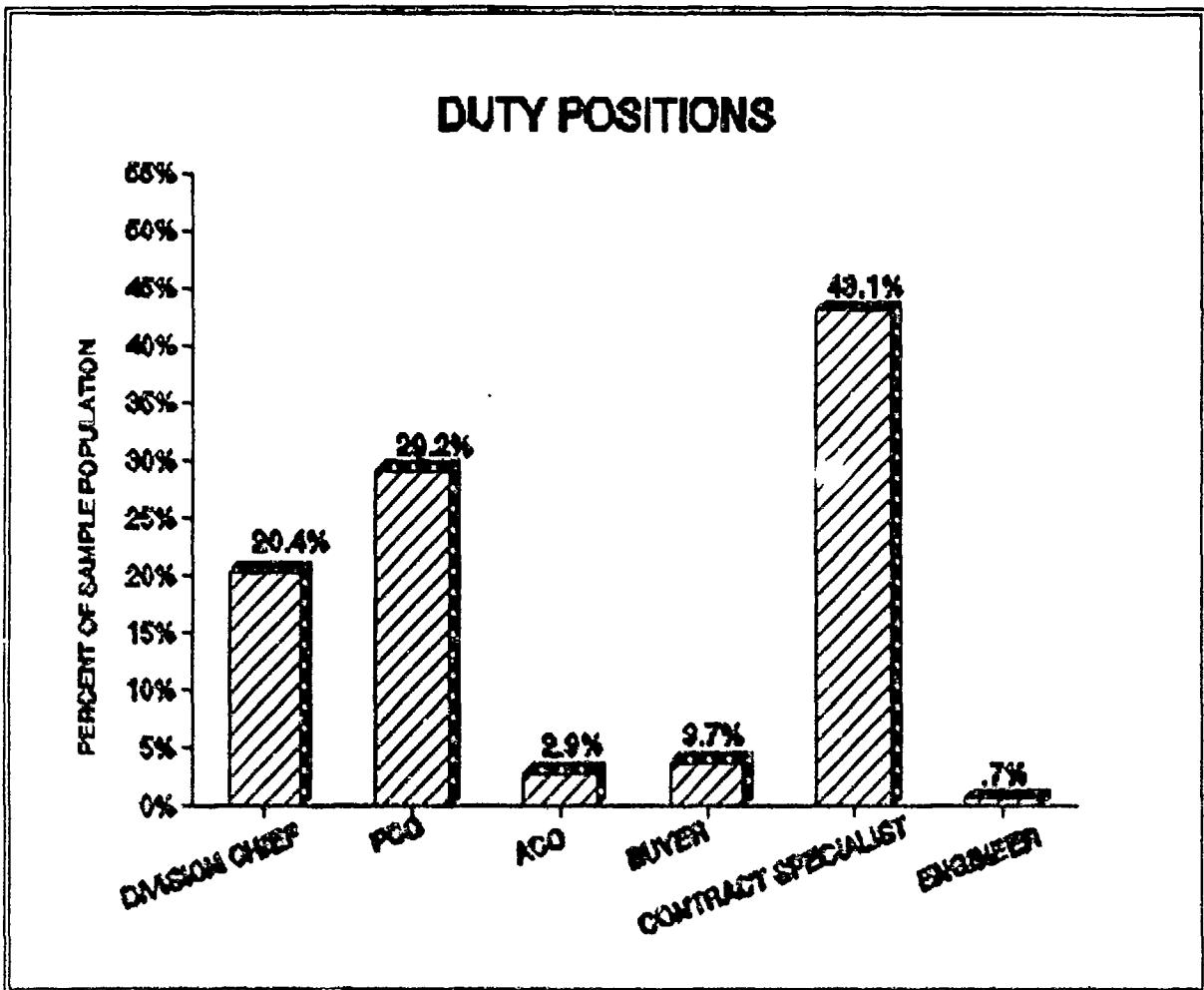


FIGURE XI SAMPLE POPULATION DEPICTED BY DUTY POSITION.
SOURCE: DEVELOPED BY RESEARCHER

Figure XII shows the distribution of those surveyed by what they considered their primary duty responsibility. This information is closely correlated with that of the two previous graphs and provides an indication as to who makes up the survey population upon which the following discussion of tactics and strategies is based.

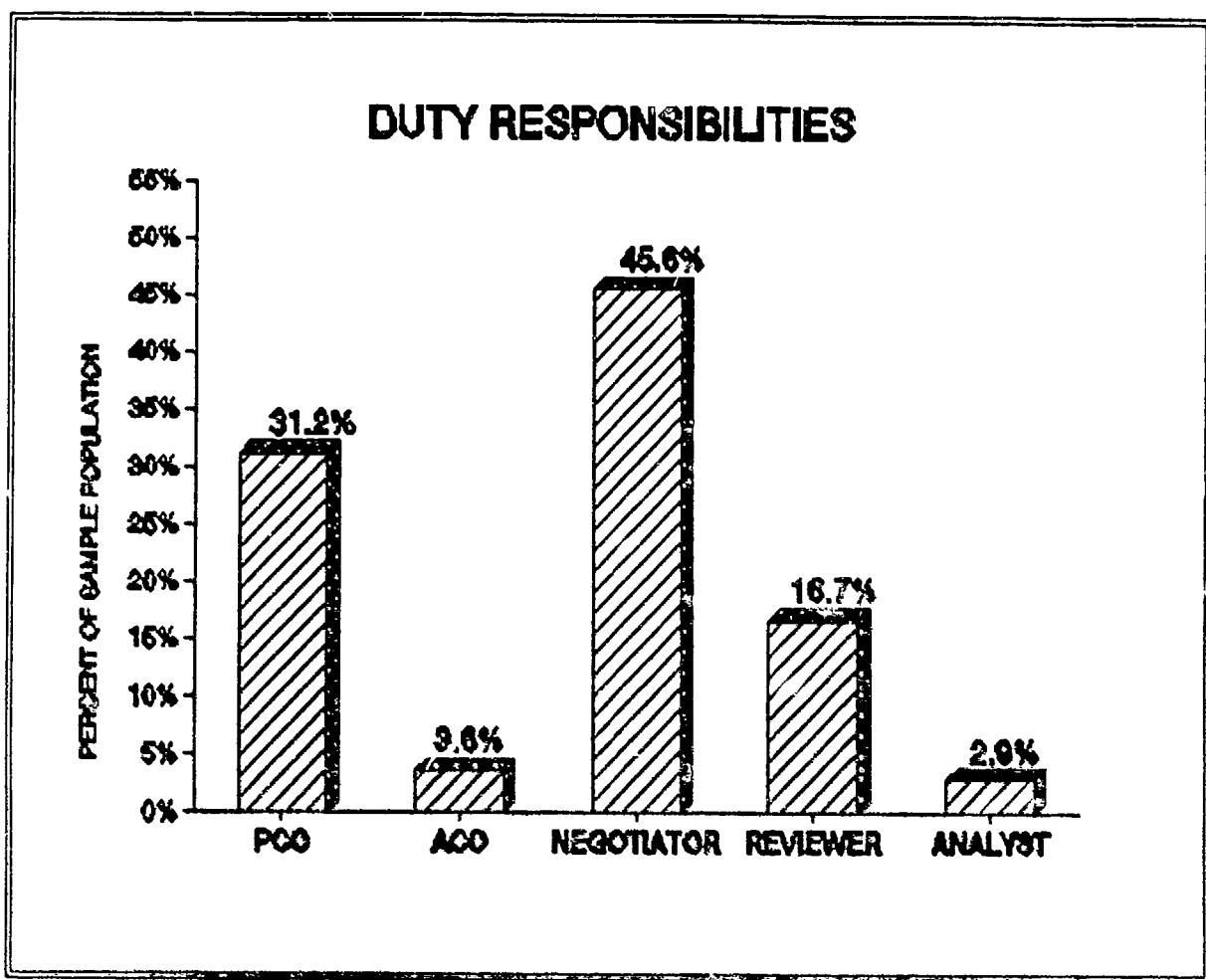


FIGURE XII SAMPLE POPULATION DEPICTED BY DUTY RESPONSIBILITY.
SOURCE: DEVELOPED BY RESEARCHER

The demographic information presented in Figure XIII is important when discussing the tactics and strategies in the

following section. Any conclusions that might be made would be irrelevant if a majority of the respondents were from organizations different from the majority of the Army contracting community. According to this graph, the respondents come from multiple organizations in a distribution that seems representative of the entire community. This supports the assumption that the survey population is representative of the Army contracting community as a whole.

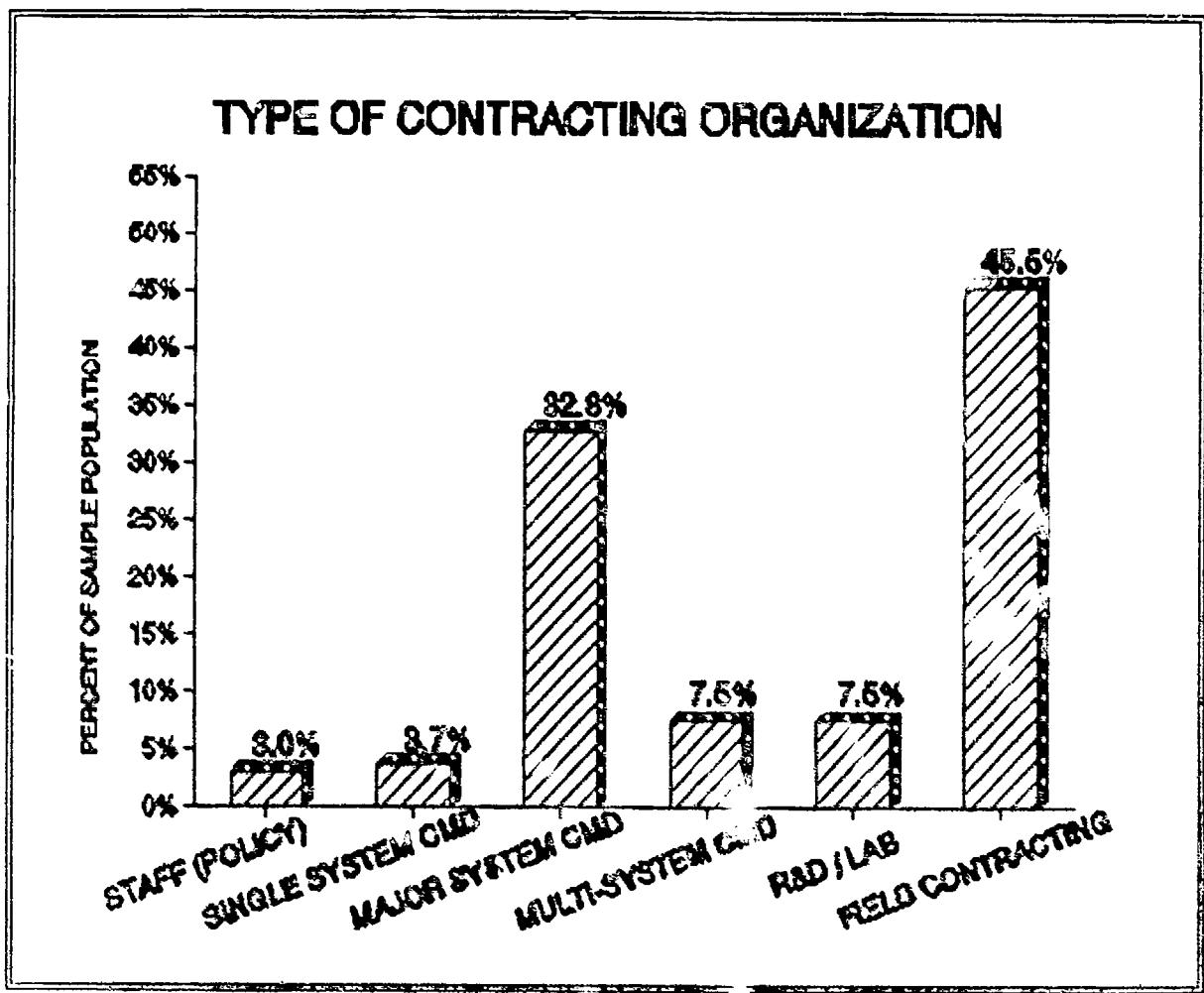


FIGURE XIII SAMPLE POPULATION DEPICTED BY TYPE OF CONTRACTING
ORGANIZATION. SOURCE: DEVELOPED BY RESEARCHER

Figure XIV shows the number of contract negotiations that the average respondent had attended. The average number of negotiations experienced as lead is 95.5. The average number the same respondent had experienced as other than lead is 60.8. This indicates that one of two situations exists: (1) a long train-up period exists before one becomes a lead negotiator, or (2) negotiators often back-up each other. An observation made when entering the individual surveys into the database, was that most often negotiators with little time as negotiators had very few other than lead experiences. This would indicate that negotiators are lead versus back-up at about a 3 to 2 ratio.

Figure XV shows the number of CPCM (Certified Professional Contracts Manager) Certified personnel among the respondents. The two CPCM respondents were military (only 5 of the 138 respondents were military). Apparently the initiative to attain this certification is greater for military personnel.

Summary of Demographic Analysis. From this discussion of the various demographic variables, an average survey respondent can be described. The average Army contracting officer or specialist is 38 years of age, a GS-12, has 17 years of Federal service, 15 years of contracting experience, has a bachelors degree, has had at least one formal advanced level contracting class, and negotiates on a frequent basis.

This description of the average respondent is useful in order to put the following discussion of tactics and strategies into perspective. The demographic information contained, and the lack of

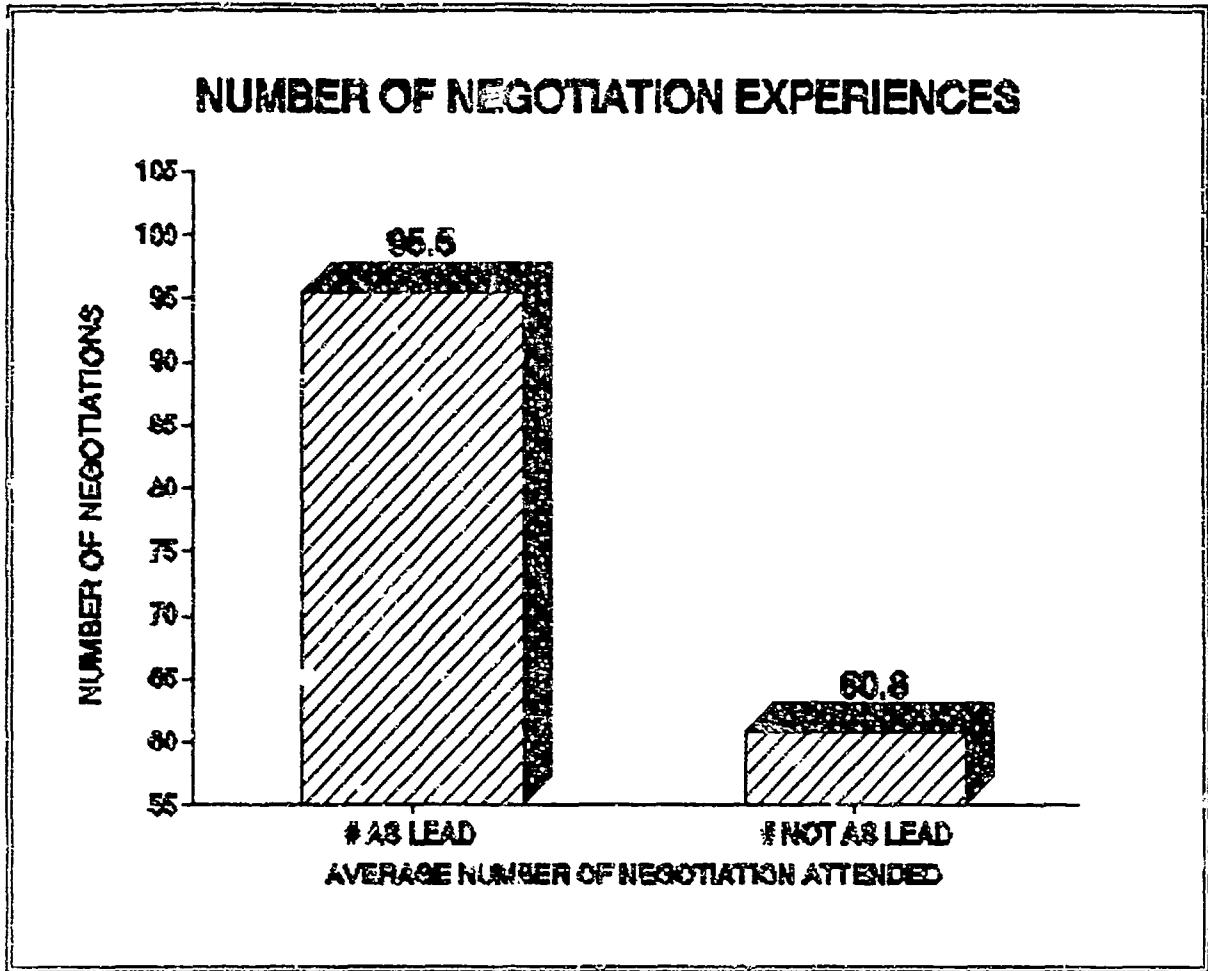
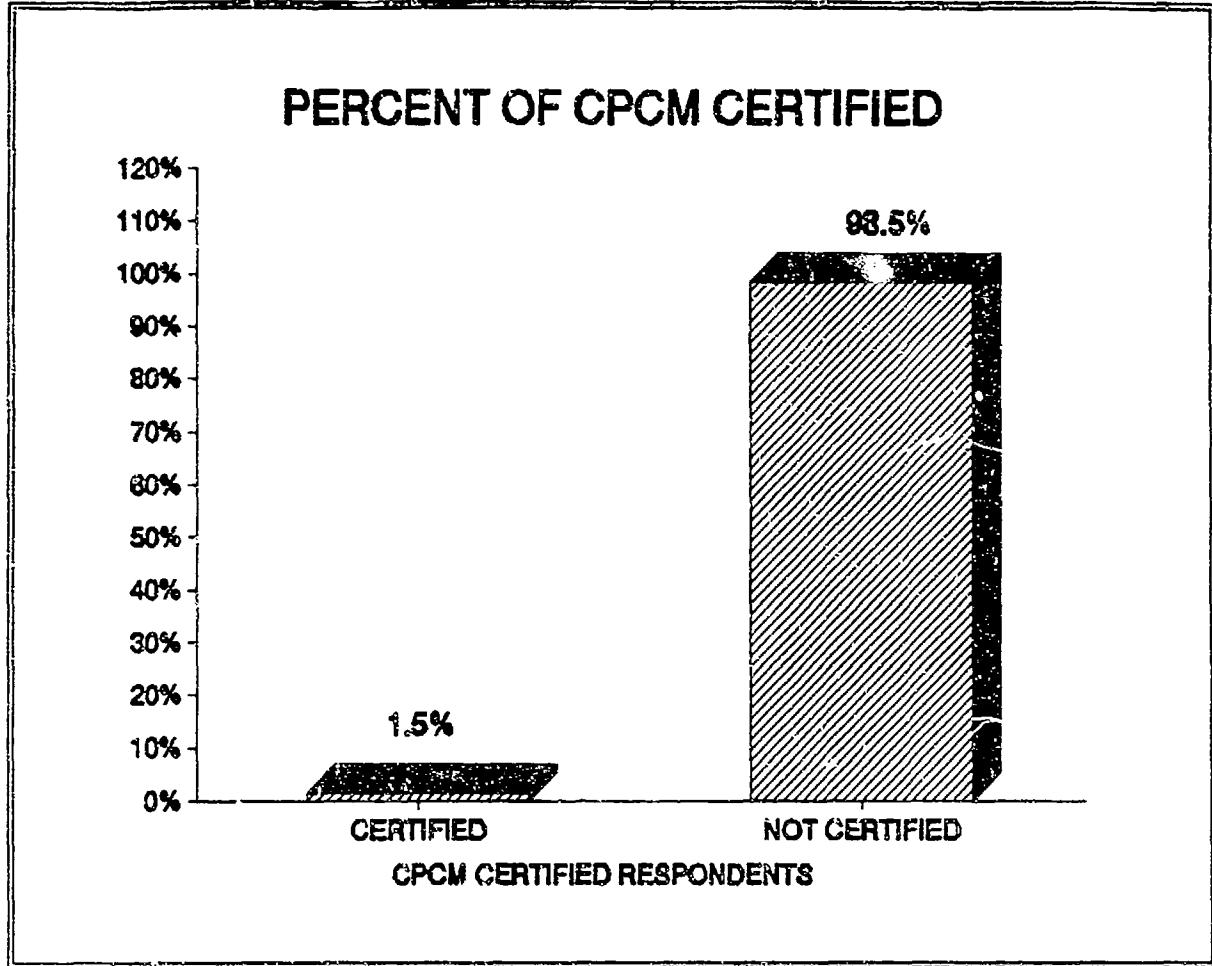


FIGURE XIV SAMPLE POPULATION DEPICTED BY NUMBER OF NEGOTIATION EXPERIENCES ATTENDED AS "LEAD" AND "NOT AS LEAD".
SOURCE: DEVELOPED BY RESEARCHER

obvious anomalies support a conclusion that the respondents are representative of the larger Army contracting community and that the conclusions that can be drawn from the responses apply to the larger community.

C. FREQUENCY AND RANKING OF THE TACTICS

Chapter II discussed the differences between different approaches to negotiation tactics and strategies. Specifically,



the concepts of competitive versus collaborative negotiation strategies was discussed. Government regulations and legislation requires Government contracting officers and agents to be fair and reasonable, and a review of the literature in Chapter II found both Government and Industry suggesting a less confrontational relationship would be better for all parties. By definition, tactics are means of accomplishing a chosen strategy. Therefore, by analyzing the tactics used most often by Army negotiators and those tactics they feel are being used against them by their

industry counterparts, insight into the perceived relationship may be possible. The insight into this relationship is addressed in subsidiary research questions 2c and 2d.

The frequency which the respondents felt that they used 32 different tactics was calculated, and those tactics were rank-ordered from most used to least used. The respondents were also asked to indicate which of those same 32 tactics were used against them by their industry counterparts and with what frequency. Those statistics were also rank ordered from most used to least used. The results of both of these questions are displayed in Table 2. As discussed in Chapter III, one possible deficiency with the questionnaire was the lack of less confrontational or negative tactics among those listed. The argument is that if more tactics with qualities such as "honesty", "integrity", and "trust" were listed, then the results in Table 2 might be very different.

The Kendall Tau_b (τ) and Spearman (SR) rank coefficient tests were used to test for agreement between the tactics the Army negotiators used versus the tactics they felt their counterparts used against them. The format used in this study for reporting the test for concurrence using these two tests is as follows:

a. Hypothesis:

Description of the null hypothesis (H_0) and the alternate hypothesis (H_1).

b. Critical Value (CV) of the test: This value is dependent on the number (n) of values in the two columns of ordered rankings being compared for agreement.

TABLE 2 FREQUENCIES AND RANK ORDER OF TACTICS.
SOURCE: DEVELOPED BY RESEARCHER

<u>TACTIC NUMBER AND NAME</u>	<u>FREQUENCIES AS %</u>		<u>RANKINGS</u>	
	<u>ARMY</u>	<u>KTR</u>	<u>ARMY</u>	<u>KTR</u>
1. Adjust the thermostat	0.5	0.3	24	25
2. Allow face-saving exits	6.5	0.3	5	26
3. Appeal to patriotism	3.2	0.6	14	22
4. Ask for lots of data	10.7	0.3	1	27
5. Belabor "Fair & Reasonable"	8.6	2.1	3	17
6. "Bogey" - Budget Limits	3.7	0.6	13	23
7. Call frequent caucuses	4.5	3.2	9	12
8. Change negotiators	0.2	1.8	27	19
9. "Cherry-pick" the best deals	0.6	0.9	23	24
10. Deadlock the negotiations	1.3	5.6	19	6
11. Deliberate errors left in offers	0.5	4.5	25	9
12. Deliberately expose notes or wrong papers	0.8	0.2	22	29
13. Embarrass your opponent		0.3	31	28
14. Escalate to opponent's boss	5.9	3.0	7	13
15. Escalate to your boss	4.5	3.5	10	11
16. "Good-guy-bad-guy" roles	6.1	2.4	6	14
17. "High-Ball" offers	0.3	10.5	26	2
18. Impose "No-smoking rule"	0.2		28	
19. "Low-Ball" offers	5.6	0.8	8	21
20. Make an offer they must refuse	1.6	2.2	18	15
21. Massage opponent's ego	3.0	2.2	15	16
22. "Must be on contract by ____!"	6.7	2.1	4	18
23. "My plane leaves at ____ o'clock!"		4.1	32	10
24. Negotiate with limited authority.	4.3	9.2	11	3
25. "Off-the-record" discussion	3.8	5.1	12	7
26. Personal attack	0.2	1.6	29	20
27. Play hard to get	1.1	6.4	21	5
28. Refer to the firm's past poor performance	1.8	0.2	17	30
29. Reverse auctioning	0.2	0.2	30	31
30. "Split-the-difference" offers	9.6	11.9	2	1
31. "Take-it-or-leave-it" offers	3.0	9.2	16	4
32. Threaten to walk out	1.3	4.9	20	8

(KTR = CONTRACTOR)

c. Decision rule: Reject H_0 if (τ) or $(SR) > \text{some value } X$. Some value X is defined by the number (n) of values at a 5% significance level as stated in Chapter III.

d. Results: If Kendall Tau_b is close to the 5% significance point, then the Spearman rank coefficient test will be used to provide more information.

e. Decision: The test either rejects the H_0 , in which case H_1 is accepted, or the data are insufficient to reject H_0 .

f. Interpretation: Analysis of the decision and a discussion of anything significant from that analysis.

1. Agreement Test between Army Negotiator and Contractor Tactics.

a. Hypothesis:

(H_0) : The rank order of Army negotiating tactics is independent of the rank order of industry tactics.

(H_1) : The two sets of orders are not independent, i.e. there is agreement.

b. Critical Value (CV): Kendall CV = 0.352

Spearman CV = 0..352

c. Decision rule: Reject H_0 if $\tau > .352$ or $SR > .352$

d. Results: $\tau = .098$ $SR = .175$

e. Decision: There is not sufficient evidence with which to reject (H_0) .

f. Interpretation: There is no correlation or agreement between the tactics the Army uses and what they perceive their counterparts use. At a minimum they use tactics in a statistically

different manner. Using data presented in Table 2 it is not possible to determine statistically whether a confrontational relationship exists. If the tactics could be rated accurately on a scale between "most cooperative" to "most adversarial", then a test for correlation might show statistical disagreement.

However, the fact that there is no significant statistical correlation between the two lists of strategies is meaningful. This may be interpreted that the Army negotiator feels that he and his counterpart from industry come to negotiate with a different set of tactics. A subjective analysis of each of the two lists of tactics can provide insight into how the Army negotiator perceives he should conduct his business, and also what approach he feels industry uses most. The issue of whether or not a confrontational relationship exists can be addressed by comparing the two lists of tactics and making a subjective determination based on the "flavor" or tone of the tactics being used. Table 3 provides a list of the top 10 tactics used by each party. "Split-the-difference" is the only tactic on both lists, and it is either the first or second choice in each list. "Split-the-difference" is a tactics that can be interpreted as one in which both parties come prepared to make a quick settlement by splitting the difference between two offers early in the negotiations. The use of "split-the-difference" does not imply that a confrontational relationship exists between the two parties, on the contrary, if both parties have opening positions that are fair and reasonable, there should not be a significant distance between positions, and splitting the

TABLE 3 RANK ORDER OF ARMY NEGOTIATOR VERSUS CONTRACTOR TACTICS.
SOURCE: DEVELOPED BY RESEARCHER

<u>RANK ORDER OF ARMY NEGOTIATOR VERSUS CONTRACTOR TACTICS</u>	
<u>ARMY</u>	<u>CONTRACTOR</u>
1. Ask for lots of data.	"Split-the-difference".
2. "Split-the-difference".	"High-Ball" offers.
3. Belabor "Fair & reasonable".	Negotiate with limited authority.
4. Must be on contract by ____!	"Take-it-or-leave-it".
5. Allow face-saving exits.	Play hard to get.
6. "Good-guy-bad-guy" roles.	Deadlock negotiations.
7. Escalate to opponent's boss.	"Off-the-record" discussions.
8. "Low-ball" offers.	Threaten to walk out.
9. Call frequent caucuses.	Deliberate errors left in offers.
10. Escalate to your boss.	"My plane leaves at _____ o'clock!"

differences might be the most efficient tactic. From the tone of the remaining tactics of each list, one could infer that negotiations are often confrontational and that an adversarial relationship exists. Tactics such as "belaboring fair and reasonable", "allowing face saving exits", and "frequent caucuses", imply that Army negotiators try to be patient, diplomatic, understanding when faced with adversity. And although the other Army tactics from the list of the top ten imply a degree of gamesmanship is occurring, it could be argued that the tone is neutral rather than negative. However, it is the Army negotiators' opinion that their counterparts from industry are not as diplomatic if early agreement is not reached. The type of tactics used by industry, such as "deadlocking negotiations", "threatening to walk

out", and "leaving deliberate errors in offers", suggests that industry is the more confrontational party. The negative "flavor" of these tactics suggest that if opening bids are not close, and "splitting-the-difference" does not occur, than industry is perceived by many Army negotiators as being capable of adversarial gamesmanship and even dishonesty.

It is unfortunate that survey data from industry is not available in order to determine their views of which tactics the Army uses under various conditions. However, if a lack of trust in industry exists on the part of Army negotiators, the argument can be made that even if negotiations are collaborative (or at least began in a collaborative manner), Army negotiators maintain a careful or guarded position. As discussed in Chapter II, historically a confrontational relationship has existed. For that reason, it is possible that the Army's method of cautious negotiating is understandable, and possibly an indicator that a more collaborative relationship between Government and Industry could be established.

D. SUMMARY

This chapter examined the survey findings and analyzed those findings in order to have a clear understanding of who constituted the sample population. Knowing the profile of the respondents is important not only for the value of any initial conclusions that can be made, but also because the lack of anomalies helps validate the survey, and therefore substantiates any conclusions that are

made during analysis. For the purpose of this research, the average Army contracting officer or specialist is 38 years of age, a GS-12, has 17 years of Federal service, 15 years of contracting experience, has a bachelors degree, has had at least one formal advanced level contracting class, and negotiates on a frequent basis. This chapter also analyzed the tactics used most frequently by Army negotiators and those tactics they felt were used most often against them by their counterparts in industry. A statistical comparison was made of the two respective orders of use, and no correlation or agreement could be found. A subjective comparison of the ten most used tactics by each party revealed that a confrontational relationship still exist. The Army negotiators see themselves as being fair and responsible and industry as less cooperative. Chapter VI will continue to analyze the survey results by examining the strategies respondents preferred under different contracting situations.

V. FINDINGS AND ANALYSIS OF NEGOTIATION STRATEGIES

A. INTRODUCTION

The ensuing analysis of the survey findings will address the following subsidiary research questions: 2e. Which strategies do Army negotiators use most frequently? and 2f. What strategies are used under different contract situations? Specifically, data from Part II, Sections 2 and 3 of the questionnaire was analyzed to determine the Army negotiators' strategy preferences. The ten strategies discussed in this chapter were taken from the Catlin study. A list of these strategies and the definitions used by the survey respondents is shown in Table 4. [Ref. 9 :p. 100] In addition, respondents were encouraged to add any other strategies that they frequently used, but were not included on the questionnaire.

B. FREQUENCY AND PREFERENCE OF NEGOTIATION STRATEGIES

Negotiation strategies are selected by negotiators for one of two reasons: either the negotiator expects the strategy to be successful or he/she lacks other options. If a correlation between preferred and employed strategies can be established, then it may be possible to compile a list of those strategies that are most successful. Table 5 shows two sets of mean scores which each respondent gave for the ten strategies, based on the frequency they had used those strategies and then based on the preference in which they would like to use them. The strategies were then rank ordered

TABLE 4 TEN STRATEGIES AND DEFINITIONS

TEN STRATEGIES AND DEFINITIONS

1. COMBINATION (THE "BIG POT"): Introducing many issues at one time, using "throw-away" points to get major concessions.
2. COVERAGE ("BOTTOM-LINING"): Negotiating on total cost/price basis versus item-by-item.
3. DEFINITE ACTION ("TESTING THE WATERS"): Taking a definite position forcing the opposition to either accept or reject your position.
4. LIMITS: Using authority, time, budget, or other limits to pressure concessions from the opposition.
5. PARTICIPATION/INVOLVEMENT: Designing the team composition to narrow or broaden the areas of negotiation (use of experts, for example).
6. PATIENCE ("BUYING TIME OR STALLING"): Using delay TACTICS to prolong consideration of an issue or to counter a time limit STRATEGY.
7. SURPRISE: Any unexpected action to gain acceptance of a point or obtain concessions from the opposition.
8. REVERSAL ("THE LESSER OF EVILS"): Presenting increasingly more rigid demands forcing the opposition to accept a lesser (preceding or following) offer - your true objective.
9. STATISTICS ("FIGURES DON'T LIE"): Using learning curves, trend analysis, or historical records as the primary support for your position.
10. STEP-BY-STEP: Presenting a series of acceptable minor points to obtain a major concession: also used to counter "The Bottom Line" STRATEGY.

SOURCE: CATLIN AND FAENZA [REF. 9]

from most to least used or preferred. These two lists were

examined for agreement using the Kendall Tau_b and Spearman rank coefficient tests.

a. Hypothesis:

(H₀): The two rankings of the ten strategies do not conform and are not in agreement.

(H₁): There is significant agreement between the two rankings of the ten strategies.

b. Critical Value (CV): Kendall CV = 0.648

 Spearman CV = 0.648

c. Decision rule: Reject H₀ if $\tau > .648$ or SR $> .648$

d. Results: $\tau = .733$ SR = .855

e. Decision: There is sufficient evidence with which to reject (H₀).

f. Interpretation: Statistically there is a very strong correlation between the rankings of the strategies preferred by Army negotiators and those of the strategies used most frequently. As stated earlier, this indicates that the strategies selected during the pre-negotiation phase were usually used. This can be interpreted in two ways. The first interpretation is that the negotiator uses strategies that have been successful in the past and that he/she believes will be effective in upcoming negotiations. The second interpretation is that the negotiator uses the preferred strategy simply because he or she lacks the training or experience to use another one. The strongest argument against the latter option is the demographic profile of the average respondent. The survey population average respondent was 38 years

TABLE 5 AVERAGE RANK SCORES AND RANKING OF STRATEGY
FREQUENCY OF USE AND STRATEGY PREFERENCE.

<u>STRATEGY</u>	FREQUENCY OF USE		PREFERENCE OF USE	
	<u>MEAN SCORE</u>	<u>RANKING</u>	<u>MEAN SCORE</u>	<u>RANKING</u>
STATISTICS	4.0320	1	4.1171	1
COMBINATION	4.3950	2	4.5909	3
STEP-BY-STEP	4.5573	3	5.3330	5
COVERAGE	4.5748	4	5.6608	7
PARTICIPATION	4.8699	5	4.1858	2
LIMITS	5.0241	6	5.6396	6
DEFINITE ACTION	5.2520	7	5.3091	4
PATIENCE	6.4285	8	5.9908	8
REVERSAL	6.8620	9	6.6915	9
SURPRISE	7.6293	10	7.2169	10

SOURCE: DEVELOPED BY RESEARCHER

old, had 17 years of Federal service, 15 years of contracting and had at last one advanced level contracting class. It is unlikely that an individual with this level of experience would lack the knowledge or experience needed to use the most effective strategy available.

An interesting observation can be made by comparing the rank order of strategies used most frequently from this study with those found during the two previous Air Force studies. Table 6 shows this comparison of strategies between the Catlin/Faenza study of 1985, the Peterson study of 1986, and the results from this study. [Ref. 9:p. 51] [Ref. 37:p. 43] A great deal of similarity exists. The top five strategies in each list are the same, however, they

appear in three different orders. A general statement may be that the top five strategies all involve negotiating from positions based on analytical skills and team efforts, while the last five strategies are based more on gamesmanship or negotiating tactics. It is interesting to note that these last five strategies in all

TABLE 6 COMPARISON OF TEN STRATEGIES

<u>STRATEGY</u>	1992 <u>FREQUENCY RANKING</u>	1985 <u>FREQUENCY RANKING</u>	1986 <u>FREQUENCY RANKING</u>
STATISTICS	1	2	1
COMBINATION	2	4	4
STEP-BY-STEP	3	5	3
COVERAGE	4	1	2
<u>PARTICIPATION</u>	5	3	5
LIMITS	6	6	7
DEFINITE ACTION	7	7	6
PATIENCE	8	8	8
REVERSAL	9	9	9
SURPRISE	10	10	10

SOURCE: DEVELOPED BY RESEARCHER

three studies are in almost identical order. One explanation for the differences that exist between the three studies could be that the profile of the average buyer in each study is slightly different. For example, if the contracting organizations from all three studies are involved in procuring different types of acquisitions, then the buyers might require slightly different strategies. Coverage was the most popular, and second most popular

strategy in the Air Force Studies, yet it was fourth in this study. A possible explanation is that the Army negotiators are better trained now, than their Air Force peers were six and seven years ago. The argument behind this statement is based on the fact that it requires less cost estimating skills, and is easier to negotiate contracts using coverage, than it is to use combination or step-by-step because costs are not addressed element-by-element. A lack of time might also cause negotiators to use coverage more often than they would otherwise.

In this study, the strategy selected as the most often used and preferred was *statistics*. *Statistics* was described to the respondents in the questionnaire as the use of learning curves, trend analysis, or historical records to form the basis for their negotiating position. Of the ten strategies listed on the questionnaire, *statistics* relies less on gamesmanship and positioning and more on professional contracting skills of analysis and preparation than the others. This is significant in that it supports the earlier contention that respondents choose strategies based on knowledge and experience rather than a lack of these abilities.

The second most used and third most preferred strategy was *combination* (The Big Pot). This involves putting a number of issues on the table at one time and then using "throw-away" points to obtain concessions from the other side. The third most often used strategy was *step-by-step* which involves accepting minor demands from the other side in order to receive a major concession.

Both combination and step-by-step require analytical skills required to evaluate proposals, and cost and pricing data which is also the basis for statistics. However, they do require gamesmanship by the negotiators. The use of strategies that involve gamesmanship suggests that Army negotiators expect negotiations with industry to be less than straightforward. However, the presence of gamesmanship in negotiations does not mean that there is an adversarial relationship between Army and industry negotiators.

One of the greatest discrepancies found was with participation, which was the 5th strategy used and the 2nd strategy preferred. Participation refers to a tailored negotiations team that includes experts to support the negotiator and the Army's position. The strategy may be the 2nd most preferred because the negotiators want assistance from experts to address areas of unfamiliarity. It might not be used frequently, however, because the Army lacks the human resources to support its negotiations. Another area of disagreement was coverage. Coverage refers to negotiating on a basis of total price or cost, rather than one point at a time. The survey indicates that negotiators would prefer to use coverage less often. Survey comments referenced the lack of available time as a major reason this strategy was used more than desired. The three least preferred strategies were patience, reversal and surprise. Patience involves the use of stalling tactics. A primary reason patience was not more popular, is because Army negotiators may feel that they lack the time

required to use this tactic. The fact that patience was so low on the list of strategies does not mean that Army negotiators are impatient. On the contrary, Army negotiators could demonstrate forbearance, yet not consider that an element of the stalling tactic of patience. Reversal involves the use of increasingly more stringent demands in a manner that forces the other side to accept the first, more acceptable offer. Reversal could also mean the hardening of a position, or displaying a "take-it-or-leave" it attitude. The problem many Army negotiators may have had with reversal is that it limits the room for their counterpart to maneuver. This could stifle communication between the two parties, which might prevent or delay an agreement. Other reasons that reversal might be so unpopular is that negotiators may not know how to use it, or they may feel that it is unethical and is counterproductive to the trusting relationship that they are attempting to maintain. Surprise was the least preferred strategy. Some reasons that surprise is not more popular is that negotiators might not know how to properly employ it without it taking on a negative connotation. Also some negotiators may be using surprise in negotiations, but do not realize it. The most likely reason surprise was the last choice of strategies in all three studies is because surprise as a strategy has a negative, possibly even unethical, connotation. Respondents expressed that they negotiated with the same group of contractors over time, and surprise could damage the good faith, trust and rapport that they have with industry.

An important consideration which effects the type of strategy a negotiator will tend to use in different circumstances depends on his personality type. In Purchasing Negotiations, by C. Wayne Barlow and Glen Eisen, four personality types are identified. "Power seekers" are described as results oriented people who want results without delay. "Power seekers" tend to focus on issues as a whole, rather than the individual details of a project. [Ref. 2:p. 100-101] Given a choice, a "Power seeker" would probably avoid using patience in order to gain a concession from an opponent, because he or she would prefer a strategy that could get results faster. He or she would also prefer to negotiate using coverage rather than getting involved in detailed discussions over every cost item. The second personality type according to Barlow and Eisen, is the "Persuader". The "Persuader" is described as a low key negotiator with a warm, generous exterior, yet who is a very ambitious even dangerous opponent. "Persuaders" are not detail oriented and would rather plan or handle the "big picture". [Ref. 2:p. 106-107] If faced with an opponent with this personality type, one could expect negotiations to progress well unless agreement is not easily reached, and then the "Persuader" can become very focused and tough. Barlow and Eisen's third personality type is the "Reliable Performer". This person is characterized as well-rounded and capable individual who understands the routine and is very dependable. [Ref. 2:p. 109-110] Step-by-step would be a "Reliable Performers" preference, because strategies such as combination and coverage would be too

spontaneous, and surprise would probably be considered negative gamesmanship or unethical.

C. STRATEGIES PREFERRED IN VARIOUS CONTRACT SITUATIONS

Part II, Section three of the questionnaire asked respondents to indicate the strategy that they preferred under a variety of contracting circumstances. If the strategies preferred under different contracting situations differ from the order listed in Table 5, this would indicate that there might be more efficient strategies for different situations. If so, this information could be useful for managers and trainers responsible for the supervision and training of inexperienced negotiators. Although the choice of strategies should remain with the negotiator, general "rules-of-thumb" can be useful as guidelines during moments of indecision.

CONTRACT TYPE

The first contracting dimension in which respondents were asked to indicate their strategy preference was by contract type. The results of this question are shown in Table 7. Although *statistics, combination, step-by-step, coverage, and participation* remain the more popular, there were some differences in the order in which they were preferred. A strategy which showed a significant difference was *participation*. Participation was used less when contracting under fixed-price conditions. However, when the purchase became more risky and required a more complex contract type, negotiators preferred to have a tailored team of technical experts or auditors to assist them. If a rule of thumb or standard

TABLE 7 FREQUENCIES OF STRATEGIES UNDER DIFFERENT CONTRACT TYPES.

FREQUENCY (AS PERCENTAGE) OF STRATEGY BY CONTRACT TYPE					
<u>STRATEGY</u>	<u>FFP</u>	<u>FPI</u>	<u>CPIF</u>	<u>CPAF</u>	<u>CPFF</u>
STATISTICS	29.8	28.1	18.4	19.6	22.4
COMBINATION	8.8	8.8	10.2	7.8	7.9
STEP-BY-STEP	17.5	19.3	20.4	21.6	17.1
COVERAGE	24.6	8.8	14.3	17.6	11.8
PARTICIPATION	7.9	15.8	18.4	19.6	21.1
LIMITS	4.4	7.0	4.1	7.8	6.6
DEFINITE ACTION	7.0	3.5	4.1	3.9	7.9
PATIENCE	0.0	3.5	6.1	0.0	2.6
REVERSAL	0.0	3.5	2.0	2.0	2.6
SURPRISE	0.0	1.8	2.0	0.0	0.0

SOURCE: DEVELOPED BY RESEARCHER

strategy were to be drawn from Table 7, it would focus on the buyer's risk involved in the specific contract. If the buyer's risk is expected to be low, that would imply that many of the costs were definable and would imply a firm fixed-price contract. Under firm fixed-price contracts, the "bottom-line" or "total cost" is the main focus of the Government and coverage is preferred unless agreement cannot be reached and another strategy would have to be used. If buyer risk is higher, the contract type would often reflect a sharing of risk. As a result, more attention to individual costs and supervision of the contract would require a strategy that analyzes item costs and prioritizes those costs. Therefore a high risk contract would suggest strategies such as statistics, combination, and step-by-step.

DOLLAR VALUE

The next contracting circumstance in which respondents were asked to indicate their strategy preference was by dollar value. The results of this question are shown in Table 8.

TABLE 8 STRATEGY FREQUENCIES BASED ON DOLLAR VALUE.

STRATEGY	25K TO 100K	100K TO 1M	1M TO 10M	10M TO 25M	OVER 25M
STATISTICS	19.4	22.8	23.7	22.8	20.3
COMBINATION	10.7	14.9	17.5	13.9	10.8
STEP-BY-STEP	8.7	19.8	23.7	19.0	17.6
COVERAGE	43.7	17.8	7.2	6.3	6.8
PARTICIPATION	1.9	7.9	18.6	22.8	31.1
LIMITS	4.9	4.0	3.1	3.8	4.1
DEFINITE ACTION	10.7	9.9	4.1	6.3	2.7
PATIENCE	0.0	2.0	1.0	2.5	5.4
REVERSAL	0.0	1.0	2.1	1.3	0.0
SURPRISE	0.0	0.0	0.0	1.3	1.4

SOURCE: DEVELOPED BY RESEARCHER

As shown in Table 8 the dollar value of a contract has a noticeable effect on the type of strategy that is used by Army negotiators. The three most popular strategies, statistics, combination, and step-by-step, which are based on methodical, analytical analysis, are used consistently throughout the range of contract values. However, there are some strategies which showed large deviations

based on contract value. Besides the factors of risk and contract complexity, dollar values are used to determine different levels of review and approval during the acquisition process. This seems to be apparent in Table 8, especially with a strategy that is known to be variable with risk and complexity such as coverage. Coverage is the most used strategy, accounting for over 43% of contracts of \$25,000 to \$100,000. However, the use of coverage drops significantly for contracts valued between \$100,000 and \$1 million. Definite action refers to leverage, and is defined as taking a definite position which forces the opposition to either accept or reject a position. Definite action seems to be correlated with coverage in that it is very popular for negotiations valued between \$25,000 to \$100,000, yet drops drastically for contracts above \$1 million. One explanation for this apparent agreement between coverage and definite action is that the Army negotiator often has more leverage to negotiate with and can demand the contractor meet the Government's price, if the costs on the contact are definable. Definable means that costs can be fairly accurately estimated by either party within a certain range. The fact that Army negotiators tend to negotiate from a position based on statistics and analysis, supports the argument that if costs are relatively definable, then Army negotiators will be less likely to move from their positions without a good argument. In addition, if all costs are definable, then it seems logical that coverage might be used to save time. If costs are more definable for lower dollar value contracts, then as contract value increases and complexity

increases, a decrease in the use of direct action and coverage would be expected to occur.

While coverage and definite action became less popular among Army negotiators as the contract value increased, participation increased in popularity. In the "over \$25 million" range, 31% of the respondents listed participation as their first choice of strategies. The primary reason for the use of participation in the high value category is likely related to risk and the difficulty involved in determining costs. Just as in the discussion of contract types, Army negotiators preferred a tailored negotiations team when contracts became more complex.

CONTRACTUAL ACTION

The next contracting circumstance asked respondents to indicate their strategy preference based on the type of contractual action. The results of this question are shown in Table 9. Statistics and step-by-step continue to be consistently popular strategies, which indicates once again, that Army negotiators tend to negotiate from a position of statistical knowledge, rather than counting on any advantage resulting from their position as a monopsony or resorting to "negative" gamesmanship. However, some other strategies show a great deal of variation in frequency of use under different types of contract actions. "New contract" actions reflect what one would expect since "new contracts" would include all contract types identified for this study. As was discussed earlier, different strategies are used with different contract types. This explains why under "new contracts", coverage and

TABLE 9 STRATEGY RANKINGS BASED ON CONTRACTUAL ACTION.

FREQUENCY (AS %) OF STRATEGY BASED ON CONTRACT ACTION				
<u>STRATEGY</u>	<u>NEW CONTRACT</u>	<u>CONTRACT MOD</u>	<u>TERMINATION</u>	<u>FINAL OVERHEAD</u>
STATISTICS	18.2	21.1	21.8	42.4
COMBINATION	15.5	8.8	12.6	0.0
STEP-BY-STEP	20.9	18.4	14.9	24.2
COVERAGE	11.8	20.2	17.2	3.0
PARTICIPATION	22.7	14.0	9.2	6.1
LIMITS	5.5	6.1	2.3	6.1
DEFINITE ACTION	3.6	7.0	16.1	9.1
PATIENCE	1.8	0.9	2.3	0.0
REVERSAL	0.0	3.5	3.4	9.1
SURPRISE	0.0	0.0	0.0	0.0

SOURCE: DEVELOPED BY RESEARCHER

participation are both used, even though in the contracting situations discussed earlier, the frequency of each was normally comparatively different. Another reason might be personality type. Given a situation where more than one strategy will work, the negotiator will use the strategy with which he or she has had the most success, or feels most comfortable.

"Contract modifications" also showed the frequent use of both coverage and participation. Coverage would be useful for contract modifications of contracts where the two parties expected relatively close opening positions, or possibly the buyer was unsure of the cost estimates by cost element. A third possibility might be that the buyer simply did not know the best approach to a

particular negotiation and choose coverage because of the relative ease in which it can be used. Participation on the other hand was most likely used to modify complex, high value, high risk contracts.

"Termination" contract actions are interesting because, in addition to the statistical strategies that seem to be the basis of all contract actions, definite action and coverage are also used. There are several possible explanations for the Army's negotiators' tendency to begin from a bottom-line position and force the opposition to either accept or reject their positions. One reason is that in most cases, costs are all capable of being estimated with the relative certainty that both sides will arrive at the same general estimate and therefore coverage is a more effective strategy. Also, the negotiator is occasionally usually in a position to use definite action if the contractor defaults and gives the Government reason to use the termination clause. Another interesting observation about termination actions is that participation is not a popular strategy, even though many of the contracts terminated are complex. Several reasons can be suggested. In the case of terminations for convenience, contracts may not get the attention which other types of contracts do because the user may no longer be demanding a product. Additionally, as discussed earlier, since most costs can be accurately estimated, the opinion of experts is not required as much to predict or assess allowability of costs. Another explanation for a lack of

participation as a strategy, is that often terminations are conducted by a specialist in terminations. A terminations specialist has experience in estimating costs involved in contract closures and is familiar with the financial and legal implications of a termination. Thus he can often close without requiring the assistance of matrix personnel.

The final category of contract actions that consisted of Forward Pricing Rate Agreements (FPRA), Final Overhead, and Advance Agreements. In this category, the two most frequently used strategies were *statistics* and *step-by-step*. From the popularity of *statistics* and an understanding of how FPRA's work, the key factor in this category is probably historical data, and the analysis of those data. In a typical FPRA negotiation, cost information for similar work from prior years is usually available and negotiators usually negotiate item-by-item or *step-by-step* in order to ensure all costs are allowable.

TYPE OF CONTRACTUAL ACQUISITION

Respondents were also asked to indicate their strategy preference based on the type of contractual acquisition. The results of this question are shown in Table 10. *Statistics*, *step-by-step*, and *combination* remain popular. These three strategies require negotiators to possess analytical skills. There is statistical evidence that the level of preference of other strategies shifts depending on the type of acquisition. Specifically, *participation* is the overwhelming favorite when negotiating research and development (R&D) type contracts. One

TABLE 10 STRATEGY RANKINGS BASED ON TYPE OF ACQUISITION OR PROGRAM.

FREQUENCY (AS %) OF STRATEGY BASED ON TYPE ACQUISITION			
<u>STRATEGY</u>	<u>R&D</u>	<u>PRODUCTION</u>	<u>SERVICES</u>
STATISTICS	15.2	37.1	25.6
STEP-BY-STEP	16.7	18.0	15.9
COMBINATION	12.1	11.2	12.2
COVERAGE	7.6	14.6	8.5
PARTICIPATION	36.4	12.4	17.1
LIMITS	3.0	1.1	3.7
DEFINITE ACTION	1.5	2.2	13.4
PATIENCE	3.0	2.2	2.4
REVERSAL	4.5	1.1	1.2
SURPRISE	0.0	0.0	0.0

SOURCE: DEVELOPED BY RESEARCHER

interpretation for this is that the uncertainty and technical complexity associated with R&D contracts demands a tailored negotiation team. Technical experts are often required to support negotiators during negotiations with complex data, for example, classification of engineering labor skills or labor hours required to complete a certain project.

In contrast, production contracts use much less reliance on participation and a correspondingly higher reliance on statistics and coverage. Statistics uses learning curves, trend analyses, and historical data as the basis for negotiations. Often in production, contractors and administrative contracting officers use the same information to manage a manufacturing process to ensure or

improve efficiency. Since many of these costs are a matter of historical record or can be predicted with relative certainty due to industry standards, coverage or "total cost" negotiating is used more frequently with this type of acquisition.

The respondents' strategy preference for service type acquisitions indicate that a blend of strategies is used. This mixture of strategy preferences probably represents the fact that service contracts can take a variety of different forms. Those that are new contracts or involve highly technical skills or exacting results and would be associated with more risk or complexity, would more likely require the talents associated with participation. Those that are not as complex or have established historical data on which to base negotiation positions are likely to be the type of acquisition actions which caused the relatively high preference for coverage. An interesting difference from other acquisition types is greater preference for definite action over coverage. Although the use of definite action cannot be broken out to determine how often it is used with higher risk versus lower risk contracts, it is most likely used on service contracts where there is less risk and the Army negotiator is in a better position to demand a certain price and force the contractor to accept the Government's position.

DEGREE OF COMPETITION

The last contract situation in which the respondents were asked to indicate their strategy preference was based on amount of competition. The results of this question are shown in Table 11.

TABLE 11 STRATEGY RANKINGS BASED ON DEGREE OF COMPETITION.

FREQUENCY (AS %) OF STRATEGY BASED ON COMPETITION			
<u>STRATEGY</u>	<u>THREE OR MORE CONTRACTORS</u>	<u>TWO CONTRACTORS</u>	<u>SOLE SOURCE</u>
STATISTICS	14.6	17.6	22.9
COMBINATION	11.2	12.1	13.8
STEP-BY-STEP	9.0	14.3	22.9
COVERAGE	28.1	19.3	10.1
PARTICIPATION	14.6	14.3	12.8
LIMITS	3.4	4.4	6.4
DEFINITE ACTION	14.6	14.3	5.5
PATIENCE	3.4	2.2	2.8
REVERSAL	1.1	1.1	0.9
SURPRISE	0.0	0.0	1.8

SOURCE: DEVELOPED BY RESEARCHER

In this situation, participation does not vary much when the degree of competition changes. The frequencies of preferences seem to indicate two opposing trends. There seems to be a preference for coverage when three or more contractors are involved in negotiations. This indicates that the Government is more confident that total costs for the contract can be estimated (coverage). This conforms with the principle of the American economic system, that a free market and competition results in a fair and reasonable price for both the buyer and the seller. Additionally, when competition exists, the Government is better able to establish a "total cost" negotiating position and is in a better position to force industry to accept the Government's position (definite

action). In contrast, as the degree of competition decreases, so does the frequency with which respondents preferred coverage and definite action. Less competition makes it more difficult for the Government to estimate accurate contract costs and this situation can be described as involving greater risk. As discussed earlier, risk is often a key factor which causes Army negotiators to rely on statistical analysis to develop their positions based on individual cost elements. Thus negotiators use *step-by-step* more frequently to work through the individual items in a contract. The preferences of the respondents support what seems to be a trend of more use of statistics and *step-by-step* as the amount of competition decreases.

D. SUMMARY

This chapter analyzed the strategies that Army contract negotiators preferred to use in general and specific situations. A statistical comparison was made between the strategies that Army negotiators use and the strategies that they would prefer to use. A significant level of correlation was found which allowed the conclusion to be made that in general, Army negotiators use the strategies that they would prefer in most situations. The strategies were ranked in order of preference and these rankings indicate that the most preferred strategies are based on statistical analysis of cost and pricing data, historical information, learning curves, and trend analysis. The least preferred strategies were consistently those strategies that seemed

to be based on gamesmanship such as: patience, reversal, and surprise. Although there are several reasons these three tactics are the least popular, the most likely reason is that the negotiator perceives these tactics as negative and perhaps even unethical. Some respondents stated that negative strategies threatened their trusting relationship with industry.

Analysis was also conducted of the strategies most preferred under a variety of contract situations such as contact type, contract dollar value, contractual action, type of acquisition, and degree of competition. Findings indicate that in all cases, statistical analysis was the basis from which Army negotiators formed their positions. However, the frequency with which Army negotiators preferred different strategies differed significantly depending on the contract situation. Analysis of these differences indicated that the degree of risk involved was repeatedly a key reason for these differences. Risk resulted from the uncertainty of cost estimation involved in highly technical contracts or contracts that were new and lacked historical or industry data on which to base a negotiation position. Risk also resulted from contracts which were complex and required administrative oversight for quality control or progress payments. The degree of competition also reflected a difference in the amount of risk to the Government, and a corresponding change in the type of strategies selected and preferred was evident.

VI. CONCLUSIONS AND RECOMMENDATIONS

A. INTRODUCTION

The purpose of this chapter is to present conclusions and recommendations which have resulted from this research. The primary and subsidiary research questions will be answered, and suggestions for further research will be made.

B. CONCLUSIONS

1. The three tactics and strategies most preferred by Army negotiators are: ask for lots of data, "split-the-difference", and belabor "Fair and reasonable"; and statistics, combination, and step-by-step respectively. These were identified and discussed in Chapters IV and V.

2. The three tactics and strategies least preferred by Army negotiators are: "low-ball" offers, call frequent caucuses, and escalate to your boss; and patience, reversal, and surprise respectively. These were also identified and discussed in Chapters IV and V. The fact that these tactics and strategies were used very little is indicative that Army negotiators approach negotiations in a professional and non-adversarial manner.

3. There is a logical set of strategies which is frequently used under different contracting situations.

Analysis of the research data indicates that the preference for the use of certain strategies varies depending on the type of contracting situation. All contracting situations examined in this

research showed logical shifts of strategies preferred as the situation differed. For example, the use of coverage was greater under firm fixed-price contacts than cost-plus-incentive-fee contracts. Analysis indicates that certain factors are critical in deciding which strategies are preferred under certain circumstances. These factors are time limitations, required levels of review and approval authority, and the amount of risk to the Government. Examples of risk are; difficulty in estimating costs; level of administrative action during the execution of a contract; and complexity due to uncertainty of processes, quality, production or delivery schedules.

4. In general, Army negotiators use appropriate strategies and have a professional attitude toward negotiations.

Analysis of tactics and strategies used and preferred by Army negotiators indicates that the majority of Army negotiators are well-educated and trained in their field. Their negotiation positions are developed based on methodical, analytical analysis and their approach to negotiations is one of careful optimism. The fact that *statistics*, *step-by-step*, and *combination* were the three most popular strategies supports this, while strategies which are less cooperative, such as *reversal* and *surprise* were used by very few respondents.

5. An adversarial relationship between Government and industry still exists in negotiations.

A review of the current literature on negotiation strategies and tactics indicates that there is a movement toward a more

cooperative relationship with industry and more participative negotiations. However, some of the strategies and tactics analyzed in this research indicate some preference for "gamesmanship-type" approaches. Proponents of a closer relationship with industry feel that the benefits are many, two of which are more efficient longer term contracts, and lower administrative costs due to more trust and communication. In addition, it can be argued that if the industrial base shrinks, it will be cost prohibitive to maintain enough contractors for some specialized industries to continue to contract competitively. In order for the Government to fulfill its future needs, the adversarial relationship that Government has traditionally had with industry will have to change. At present, negotiators from both sides approach negotiations expecting an adversarial encounter, yet the responses to this survey suggest that Army negotiators desire a non-adversarial relationship, and a review of the literature suggests that industry does too. This suggests that the relationship can become more cooperative.

6. Army contract negotiators lack the resources desired to conduct some of their negotiations.

Army negotiators use the strategy coverage, or total cost negotiating, more often than they would prefer, and participation, the use of tailored negotiating teams, less than they prefer. The explanation for this seems to be that negotiators lack the time, training, or subject matter experts/matrix personnel needed to help them negotiate by cost element. As a result, Army negotiators indicated that they use coverage in instances where they would

rather negotiate by cost element. This may lead to less-effective negotiations.

C. RECOMMENDATIONS

1. Training on types of strategies and tactics must continue to be emphasized by educators and managers.

Analysis of the data collected indicate that as a rule, Army negotiators are negotiating with the appropriate strategy based on the contracting situation. However, a percentage of the respondents seemed to use strategies that were not the most popular under certain contracting situations. Research should be conducted on tactics to determine if the seldom used tactics can be employed effectively and whether they are being avoided due to a lack of understanding and training. The need for additional negotiations training is in line with recent recommendations made by the U.S. Merit Systems Protection Board. Among nine critical procurement skills, "conducting negotiations" was ranked the highest by both procurement employees and their supervisors as needing additional training. [Ref. 45:p. 12]

2. Solutions must be developed to help prevent the unfulfilled demand for subject matter expertise.

The negotiators from the sample population indicated that they used the strategy of participation much less than they would have preferred. As a result, it was concluded that they probably negotiated less effectively. Solutions to fill this need for expertise must be addressed to ensure that the best strategy is

used whenever possible. One solution might be better training for negotiators, so that they do not need as much assistance from experts, or possibly better organization of matrix personnel so that the use of these limited resources is maximized. Another solution might be a greater use of automation to reduce the administrative work load. As a result, Army negotiators might be able to spend more time and energy on the cognitive and communicative tasks that are currently being rushed or skipped.

3. Efforts must be made to improve the negotiation relationship between Government and industry.

In order to maximize the purchasing power of the shrinking budget, costs throughout the acquisition process must be reduced without reducing the end product. One way this could occur is if the negotiation relationship with industry becomes less adversarial than it is today. It should be a goal of the entire Department of Defense contracting community to improve trust and rapport with industry. Hopefully the result for the Government will be better communications, less litigation, and lower procurement costs.

D. ANSWERS TO THE RESEARCH QUESTIONS

A. PRIMARY RESEARCH QUESTION

What negotiation strategies and tactics are most frequently used by Army contract negotiators and what tactics do they perceive their industry counterparts most often use against them?

The strategies and tactics which Army negotiators use most

frequently are displayed in Tables 2 and 4 respectively. Analysis of data collected during this thesis indicates that Army negotiators use tactics and strategies which show that they approach negotiations with their position based on statistical analysis, and negotiate in as professional and straightforward a manner as possible. The respondents felt that their counterparts from industry would usually negotiate in a predictable and reasonable fashion, however they felt that industry negotiators were more than capable of using gamesmanship and tactics that displayed a negative "flavor".

2. SUBSIDIARY RESEARCH QUESTIONS

What does current literature and theory say about negotiating tactics and strategies?

A review of current literature uncovered an abundance of information about different strategies and tactics and ways to employ them. The general tone of all strategies and tactics can be categorized into two basic groups. These groups are categorized as competitive and principled. Competitive strategies are what has historically been used by the Government in negotiating with industry. However, there has recently been a great deal of literature which encourages a more cooperative or participative relationship between Government and industry. Participative negotiations focus on needs rather than positions and are based on mutual trust between the parties involved.

What is the profile of the Army negotiator?

According to the data collected from the sample population, the average Army contracting officer or specialist is 38 years of age, a GS-12, has 17 years of Federal service, 15 years of contracting experience, has a bachelor's degree, has had at least one formal advanced level contracting class, and negotiates on a frequent basis.

Which tactics do Army negotiators use most frequently?

A rank ordered list of the frequencies in which Army negotiators use 32 particular tactics is displayed in Table 2. The three most popular tactics that Army negotiators indicated they used the most were "Ask for lots of data", "Split-the-difference", and "Belabor fair and reasonable". These tactics can be subjectively interpreted to be those which indicate a straightforward, professional approach toward negotiations. The further down the list one looks, the more negative the tone of the tactic becomes, however, statistically, the use of adversarial type tactics was very small.

Which tactics do Army negotiators perceive their commercial counterparts use most frequently?

Table 2 provides a rank ordered list of tactics which Army negotiators feel are used most often against them. The most popular tactic, "split-the-difference" implies that Army negotiators feel that in most cases, industry expects to settle fairly easily. However, the "flavor" of the other more popular tactics such as "negotiate with limited authority", "take-it-or-

"leave-it offers", "play hard to get", and "deliberate errors left in offers", indicate an adversarial relationship exists between the parties.

Which strategies do Army negotiators use most frequently?

In general, the most frequently used strategies were those based upon statistical analysis which utilized information such as: cost and pricing data; historical information; learning curves; and trend analysis. The least preferred strategies were those strategies that seemed to be based on gamesmanship that had a negative "flavor" such as reversal and surprise.

What strategies are used under different contract situations?

The popularity of various strategies changed with some predictability depending on contract situations such as: contact type; contract dollar value; contractual action; type of acquisition; and degree of competition. Analysis indicated that the degree of risk involved was repeatedly a key reason for these differences. Other factors which also effected the strategy preferred were time limitations, required levels of review and approval authority, and availability of subject matter experts/matrix personnel.

E. SUGGESTIONS FOR FURTHER RESEARCH

1. Although there is no one best strategy, certain strategies are usually better under different situations. A project that would be beneficial would be the construction of a decision chart

which would lead an individual through the contract situations and key factors which influence choice of strategies, and conclude with one or more suggested strategies. A decision chart of this nature would simplify the instruction of the use of strategies under different situations as discussed in this research.

2. A follow-on study involving a similar questionnaire, yet focused on negotiators from industry would be interesting for comparison value. It would be interesting to see what tactics and strategies are used in a negotiations environment where legal requirements for arms-length relationships do not exist.

3. An area which holds great promise for reducing the cost of procurement is in modifying the relationship which exists between Government and industry. A study into key factors which prevent this relationship from becoming more cooperative could result in a significant shift in the way in which Government approaches procurement and could result in great economic advantages.

APPENDIX A

The following is a list of the contracting activities and offices that were solicited for participation in this research. These agencies were selected from the Army Contracting Organization And Management Data Directory, April 1992.

U.S. Army Material Command Subordinate Units

U.S. Army Military Academy, West Point
Armed Forces Radio and Television Service-Broadcast Center

U.S. Army Depot System Command

Anniston Army Depot
Letterkenny Army Depot
Red River Army Depot
Sacramento Army Depot
Sierra Army Depot
Tobylanna Army Depot
Tooele Army Depot

U.S. Army Armament, Munitions and Chemical Command

Watervliet Arsenal
McAlester Army Ammunition Plant
Rock Island Arsenal
U.S. Army Chemical Research, Development and Engineering Center
U.S. Army Armament Research, Development and Engineering Center
Crane Army Ammunition Activity

U.S. Army Aviation Systems Command

Bell Apache Division
HQ, U.S. Army Aviation Systems Command
Aviation Applied Technology Directorate

U.S. Army Communications-Electronic Command

Procurement Divisions A,B,C and D.
Contract Operations Vint Hill Station

U.S. Army Laboratory Command

Installation Support Activity LAB/COM Harry Diamond Laboratories
U.S. Army Materials Technology Laboratory
U.S. Army Vulnerability Assessment Laboratory

U.S. Army Missile Command

Procurement Divisions A,B,C, and D.

U.S. Army Tank-Automotive Command

Tracked Vehicle Systems Division
Policy and Management Division

U.S. Army Test and Evaluation Command
HQ, U.S. Army Operational Test & Evaluation Command
U.S. Army Aberdeen Proving Ground
U.S. Army Dugway Proving Ground
U.S. Army Jefferson Proving Ground
U.S. Army Yuma Proving Ground

U.S. Army Troop Support Command
St. Louis Operations Division
Natick Research, Development and Engineering Center

U.S. Army Corps of Engineers
U.S. Army Engineer Division, North Atlantic

Separate Corps of Engineer Contracting Offices
U.S. Army Topographic Engineering Center
U.S. Army Humphreys Engineering Center Support Activity

Forces Command Contracting Offices
Headquarters FORSCOM
COMMANDER, XVIII ABN Corps and Fort Bragg

APPENDIX B

Negotiating TACTICS and STRATEGIES Questionnaire

Introduction and Instructions

This questionnaire is in two parts, Part I requests information about your education, training, experience, current job, organization and type of program. No information about your name, social security number, or other identifying data is requested; however, other "personal-type" data such as age, sex, and rank or pay grade are requested. This data will be used for conducting statistical analysis of the answers you provide to the questions in Part II.

Part II contains questions requesting you to indicate how often you use certain negotiating TACTICS and STRATEGIES in various contracting situations.

This questionnaire is designed to be completed with minimum time and effort. When you have completed the questionnaire, please use the attached postage-paid envelope to return it.

Please add any information or comments you wish. I greatly appreciate your participation. Without your time and effort, this research project would be impossible. Thank you in advance for your assistance.

PART I - GENERAL INFORMATION

Please fill in the block or circle the letters indicating your answers to the following questions:

1. Age: 20-25, 26-30, 31-35, 36-40, 41-45, 46-50, 55-60, 61-65
2. Sex: a. Male b. Female
3. Military rank or civilian grade: _____.
4. Total number of years Federal service: _____.
5. Total number of years in contracting: _____.
6. Please indicate the highest level of formal education you have attained: (Circle appropriate letter).
 - a. High School Graduate
 - b. College, non-degree
 - c. Bachelor's Degree
 - d. Graduate study, non-degree
 - e. Master's Degree
 - f. Masters's Degree, plus additional hours
 - g. Doctorate Degree
7. Please indicate the professional continuing education (PCE) courses in contracting that you have completed:
 - a. Basic contract management
 - b. Basic contract pricing
 - c. Intermediate-level contract pricing
 - d. Advanced contract pricing
 - e. Advanced Contract Administration
 - f. Cost and Price analysis
 - g. Overhead Management
 - h. Contract Law
 - i. Negotiations
 - j. Advanced Contract Management
 - k. Contract Executive Seminar
 - l. No PCE training to date
 - m. Other (please list): _____

8. How often do you negotiate contracts?
 - a. Always
 - b. Often
 - c. Occasionally
 - d. Seldom
 - e. Never

9. Current position title (buyer, PCO, Division Chief, etc.): _____.

10. Primary Contract negotiating responsibilities (negotiator, PCO, reviewer, price/cost analyst). _____.

11. Type of organization you currently work in:
- a. Staff (policy, review committee, etc.).
 - b. Single system program office.
 - c. Major System Command
 - d. Multi-system program office.
 - e. Research and Development (R&D) only (laboratory, etc.)
 - f. Mission support/field contracting (regional, local, base, camp, post levels, etc.).
 - g. Other: _____.

12. Estimated total number of negotiations as the lead/chief negotiator: _____.

13. Estimated total number of negotiations you participated in as other than the lead negotiator: _____.

14. Are you a Certified Professional Contracts Manager (CPCM) (have you taken and passed the CPCM exam, and remained current)?

Other Certification (explain) _____

PART II - NEGOTIATING TACTICS AND STRATEGIES

The following questions ask you to identify and rank order various negotiating TACTICS and STRATEGIES. These TACTICS and STRATEGIES were selected from publications by Chester L. Karras, the National Contract Management Association's Negotiations Procedures and Strategies Training Manual, and other sources. While no two sources agree on all types of TACTICS or STRATEGIES, features of the approaches from these publications were combined. The following definitions are used in this questionnaire and are presented here to aid you in understanding the questions.

TACTIC: ANY SPECIFIC ACTION, WORDS, OR GESTURES DESIGNED TO ACHIEVE BOTH AN IMMEDIATE OBJECTIVE (such as countering an action by the other negotiating party) AND THE ULTIMATE OBJECTIVE OF A PARTICULAR STRATEGY.

STRATEGY: AN ORGANIZED PLAN OF APPROACH TO NEGOTIATIONS FROM AN OVERALL PERSPECTIVE WHICH MAY BE COMPRISED OF ONE OR MORE TACTICS.

Please feel free to write in and rank any TACTICS or STRATEGIES you use most often but that are not listed. Also, please be as candid as possible on selecting or adding any TACTIC. No positive or negative connotations have been assigned to the TACTICS or STRATEGIES listed, and no such connotation will be attributed to those who complete this survey.

PART II -SECTION ONE - NEGOTIATING TACTICS

INSTRUCTIONS:

1. Line through any terms you do not recognize.
2. Rank (by appropriate letter(s)) the five TACTICS you use most often (#1 being the most frequent).
3. Rank (in the same manner) the five TACTICS your negotiating opponents use most often.
4. Include any TACTIC you have experienced or used that is not listed.

NEGOTIATING TACTICS

- A. Adjust the thermostat
- B. Allow face saving exits
- C. Appeal to patriotism
- D. Ask for lots of data
- E. Belabor "Fair & Reasonable"
- F. "Bogey" - Budget Limits
- G. Call frequent caucuses
- H. Change negotiators
- I. "Cherry-pick" the best deals
- J. Deadlock the negotiations
- K. Deliberate errors left in offers
- L. Deliberately expose notes or wrong papers
- M. Embarrass your opponent
- N. Escalate to opponent's boss
- O. Escalate to your boss
- P. "Good-guy-bad-guy" roles
- Others: _____
- Others: _____
- Others: _____
- Others: _____
- Q. "High-Ball" offers
- R. Impose "No-smoking rule"
- S. "Low-Ball" offers
- T. Make an offer they must refuse
- U. Massage opponent's ego
- V. "Must be on contract by _____!"
- W. "My plane leaves at _____ o'clock!"
- X. Negotiate with limited authority.
- Y. "Off-the-record" discussion.
- Z. Personal attack
- AA. Play hard to get.
- AB. Refer to the firm's past poor performance
- AD. Reverse auctioning
- AE. "Split-the-difference" offers
- AF. "Take-it-or-leave-it"
- AG. Threaten to walk out

<u>RANK</u>	<u>TACTIC YOU USE</u>
#1	_____
#2	_____
#3	_____
#4	_____
#5	_____

<u>RANK</u>	<u>TACTIC OPPONENTS USE</u>
#1	_____
#2	_____
#3	_____
#4	_____
#5	_____

PART II SECTION TWO - STRATEGY RANKINGS

The following are definitions of STRATEGIES selected for this survey.

1. COMBINATION (THE "BIG POT"): Introducing many issues at one time, using "throw-away" points to get major concessions.

2. COVERAGE ("BOTTOM-LINING"): Negotiating on total cost/price basis versus item-by-item.

3. DEFINITE ACTION ("TESTING THE WATERS"): Taking a definite position forcing the opposition to either accept or reject your position.

4. LIMITS: Using authority, time, budget, or other limits to pressure concessions from the opposition.

5. PARTICIPATION/INVOLVEMENT: Designing the team composition to narrow or broaden the areas of negotiation (use of experts, for example).

6. PATIENCE ("BUYING TIME OR STALLING"): Using delay TACTICS to prolong consideration of an issue or to counter a time limit STRATEGY.

7. SURPRISE: Any unexpected action to gain acceptance of a point or obtain concessions from the opposition.

8. REVERSAL ("THE LESSER OF EVILS"): Presenting increasingly more rigid demands forcing the opposition to accept a lesser (preceding or following) offer - your true objective.

9. STATISTICS ("FIGURES DON'T LIE"): Using learning curves, trend analysis, or historical records as the primary support for your position.

10. STEP-BY-STEP: Presenting a series of acceptable minor points to obtain a major concession: also used to counter "The Bottom Line" STRATEGY.

Please rank the STRATEGIES listed below according to frequency of use and preference, by placing a number under the respective column next to the STRATEGY. The number one (1) would indicate the most frequently used or preferred STRATEGY, and the number ten (10) the least frequently used or preferred. Remember if you use or prefer a STRATEGY not listed, please describe and rank it. Your input will be valuable in broadening the database of this survey.

<u>STRATEGY</u>	<u>FREQUENCY</u>	<u>PREFERENCE</u>
1. COMBINATION	_____	_____
2. COVERAGE	_____	_____
3. DEFINITE ACTION	_____	_____
4. LIMITS	_____	_____
5. PARTICIPATION	_____	_____
6. PATIENCE	_____	_____
7. SURPRISE	_____	_____
8. REVERSAL	_____	_____
9. STATISTICS	_____	_____
10. STEP-BY-STEP	_____	_____
OTHERS (Please write in and rank)	_____	_____
11. _____	_____	_____
12. _____	_____	_____
13. _____	_____	_____
14. _____	_____	_____

PART II SECTION THREE

STRATEGY RANKINGS UNDER VARIOUS CONTRACT SITUATIONS

INSTRUCTION:

1. Indicate the STRATEGY (from page 7) you most prefer to use.
2. If you have no preference, then please so indicate by writing "NP" on the line next to the situation.
3. If you have no experience with a particular situation, then please so indicate by writing "NE" on the corresponding line.
4. Assume that the situation presented is the primary determining factor in your choice.

REMEMBER - INDICATE YOUR MOST PREFERRED STRATEGY

<u>SITUATION</u>	<u>STRATEGY</u>	
<u>CONTRACT TYPE</u>		
FIRM FIXED-PRICE	_____	
FIRM-PRICE-INCENTIVE	_____	
COST-PLUS-FIXED-FEE	_____	
COST-PLUS-INCENTIVE-FEE	_____	
COST-PLUS-AWARD-FEE	_____	
<u>CONTRACT DOLLAR VALUE</u>		
FROM	TO	
\$25,000	\$100,000	_____
\$100,001	\$1,000,000	_____
\$1,000,001	\$10,000,000	_____
\$10,000,001	\$25,000,000	_____
OVER \$25,000,000		_____

REMEMBER - INDICATE YOUR MOST PREFERRED STRATEGY

<u>SITUATION</u>	<u>STRATEGY</u>
<u>TYPE OF CONTRACTUAL ACTION</u>	
NEW CONTRACT	_____
CONTRACT MODIFICATION (ECP, ADDED WORK, ETC)	_____
TERMINATION - CLAIMS SETTLEMENT - CLOSE-OUT	_____
FINAL OVERHEAD - FORWARD PRICING RATE AGREEMENTS (FPRA) - ADVANCE AGREEMENTS (e.g. IR&D)	_____
OTHERS (Please specify)	_____
<u>TYPE OF ACQUISITION OR PROGRAM</u>	
RESEARCH AND DEVELOPMENT	_____
PRODUCTION	_____
SERVICES	_____
OTHERS (Please specify)	_____
<u>DEGREE OF COMPETITION</u>	
THREE OR MORE COMPETING CONTRACTORS	_____
TWO COMPETING CONTRACTORS	_____
SOLE SOURCE CONTRACTOR NEGOTIATIONS	_____

END OF QUESTIONNAIRE

Thank you for completing this questionnaire. I really appreciate your participation in this survey. Your responses are valuable additions to the knowledge base of contract negotiating TACTICS and STRATEGIES.

LIST OF REFERENCES

1. Army Contracting Organization and Management Data, Falls Church VA, U.S. Army Contracting Support Agency, April 1992.
2. Barlow, C. Wayne and Glenn P. Eisen., Purchasing Negotiations. Boston: CBI Pub. Bo. Inc., 1983.
3. Berman, Maureen R. and I. William Zartman, The Practical Negotiator. New Haven: Yale University Press. 1982.
4. Borland International, Inc., Quattro Pro, Version 3.0, Scotts Valley, CA: Borland Internationals, Inc., 1991.
5. Bowersox, Donald J., "The Strategic Benefits of Logistics Alliances," Harvard Business Review July-August 1990, 36-45.
6. Brams, Steven J., Negotiation Games. New York: Routledge. 1990.
7. Brooks, Earl. and George S. Odiorne. Managing by Negotiations. Malabar:Krieger Pub., Co. 1984.
8. Buskirk, Richard H., Handbook of Managerial Tactics. Boston: Cahners Books, Inc., 1976.
9. Catlin, Robert M., and Bernard J. Faenza, Captains, USAF, Identification of Negotiation Tactics of Air Force Contract Negotiators. The School of Systems and Logistics, AFIT, WPAFB, OH. September 1985.
10. Choate, Pat and June Longer, "Tailored Trade: Dealing With the World As it is," Harvard Business Review January-February 1988, 86-93.
11. Coffin, Royce A., The Negotiator. New York: AMACOM, 1973.
12. Cranford, John R., "Hill's Response to Recession Defies Economists' Advice," Economics & Finance 25 January 1992, 160-163.
13. Daggatt, W. Russell and Trenholme J. Griffin. The Global Negotiator. Harperbusiness. 1990.
14. Daniel, Wayne W. Applied Nonparametrics Statistics. Boston: Houghton Mifflin Co., 1978.
15. Department of the Army, Office of the Assistant Secretary, Army Acquisition Corps Questions and Answers (12 June 1990). [Washington D.C.]: Department of the Army, Army Acquisition Corps.

16. Department of the Army, Office of the Secretary, Army Focus 1992. Washington D.C.: U.S. Army Publication and Printing Command, 1992.
17. Druckman, Daniel., Negotiations. Beverly Hills: Sage Pub. Inc., 1977.
18. Federal Acquisition Regulation, Washington, D.C., Government Printing Office, 1986.
19. Fisher, Roger and William Ury, Getting To Yes. New York: Penguin Books, 1981
20. Fitzsimmons, Patrick James., Negotiations: Experienced vs. Inexperienced Negotiators. Naval Postgraduate School, Monterey, CA. December 1990.
21. Fox, J. Ronald, "Breaking the Regulatory Deadlock," Harvard Business Review September-October 1981, 97-105.
22. Gillette, Paul and Fred Edmund Jandt, Win-Win Negotiating: Turning Conflict into Agreement. New York: John Wiley & Sons, 1976.
23. Hassett, Matthew J. and Neil A. Weiss, Introductory Statistics. Massachusetts: Addison-Wesley Pub., Co. 1991.
24. Henderson, Bruce D., "Brinkmanship in Business," Harvard Business Review March-April 1967, 49-54.
25. Ilich, John, The Art and Skill of Successful Negotiation. New Jersey: Prentice-Hall, Inc., 1978.
26. Johnstone, Charan M., Major, USAF, Psychological Type and Analysis of Preferred Negotiation Strategies and Tactics of United States Air Force Contract Negotiators. The School of Systems and Logistics, AFIT, WPAFB, OH. September 1986.
27. Karrass, Chester L., "Down and Dirty Tactics." Traffic Management June 1992, 25-26.
28. Karrass, Chester L., Give and Take: The Complete Guide To Negotiating Strategies and Tactics. New York: Thomas Y. Crowell, Pub. 1974.
29. Karrass, Chester L., The Negotiating Game. New York: World Pub., Co. 1970.
30. Karrass, Gary. Negotiate to Close. New York: Simon and Schuster. 1985.

31. Lax, David A. and James K. Sebenius, The Manager as Negotiator. New York: The Free Press. 1986.
32. Levin, Edward. Levons's Laws. New York: M. Evans and Co., Inc., 1980.
33. National Contract Management Association, Negotiation Procedures and Strategies. Active Procurement Program Library, 1991.
34. Nierenberg, Gerard I., The Art of Negotiating. New York: Simon and Schuster. 1968.
35. Nierenberg, Gerard I., The Complete Negotiator. New York: Nierenburg and Zeif Pub. 1986.
36. Nierenberg, Gerard I., Fundamentals of Negotiating. New York: Hawthorne Books, Inc., 1973.
37. Peterson, Terry L., Captain, USAF, Examination of Negotiation Tactics and Strategies of Air Force Logistics Command Contract Negotiators. The School of Systems and Logistics, AFIT, WPAFB, OH. 1986.
38. Reich, Robert B., "Regulation by confrontation or negotiation?" Harvard Business Review May-June 1981, 82-93.
39. SAS Institute Inc., SAS Language:Reference, Version 6, First Edition Cary, NC:SAS Institute Inc., 1990. 1042pp.
40. Scott, Bruce R., "Competitiveness: 23 Leaders Speak Out," Harvard Business Review July-August 1987, 106-123.
41. Sherman, Stanley N., Government Procurement Management. Maryland: Wordcrafters Pub. 1991.
42. Spero, Donald M., "Patent Protection or Piracy - A CEO Views Japan," Harvard Business Review September-October 1990, 58-67.
43. "Square One" The New Republic (April 27, 1992), 7.
44. Strunk, Lawrence W., LCDR, USN, Improving our Government Negotiators. Florida Institute of Technology, 12 July 1984.
45. United States Merit Systems Protection Board, Workforce Quality and Federal Procurement: An Assessment. Washington D.C.: Office of Policy and Evaluation, July 1992, 12.
46. Warschaw, Tessa Albert, Winning by Negotiation. New York: McGraw-Hill Book Co., 1980.

47. Woolf, Bob., Friendly Persuasion: How to Negotiate and Win.
New York: Berkley Books. 1991.

48. Yoffie, David B., "How An Industry Builds Political
Advantage," Harvard Business Review May-June 1988, 82-89.

INITIAL DISTRIBUTION LIST

- | | | |
|----|--|---|
| 1. | Defense Technical Information Center
Cameron Station
Alexandria, Virginia 22304-6145 | 2 |
| 2. | Library, Code 52
Naval Postgraduate School
Monterey, California 93943-5002 | 2 |
| 3. | Defense Logistics Studies Information Exchange
U. S. Army Logistics Management Center
Fort Lee, Virginia 23801 | 2 |
| 4. | Department Chairman, Code AS
Department of Administrative Sciences
Naval Postgraduate School
Monterey, California 93943-5000 | 1 |
| 5. | Dr. D. V. Lamm, Code AS/LT
Department of Administrative Sciences
Naval Postgraduate School
Monterey, California 93943-5000 | 2 |
| 6. | CDR Rebecca J. Adams, Code AS
Department of Administrative Sciences
Naval Postgraduate School
Monterey, California 93943-5000 | 1 |