

Program Managers and the Bargaining Process

Program Managers' Ability to Solve Problems Directly Related to Their Ability to Negotiate Effectively

ANDRÉ E. LONG

Program managers have been compared to orchestra conductors. Both have overall responsibility for an often complicated finished product and customers who expect their "money's worth." Both are also entirely dependent on the cooperation and performance of others who have skills and expertise in areas they completely lack. They must be able to cut through a multitude of components to see and manage the big picture. In their never-ending attempt to reconcile the seemingly irreconcilable conflicts among funding limitations, organizational interests, and technical problems, program managers, like conductors, must be excellent problem solvers.

However, program managers' ability to problem-solve, more than anything else, is directly related to their ability to negotiate effectively with others within their company. As high-level decision makers, program managers do not usually see themselves as *negotiators*. That is the contracting manager or contracting officer's job. Program managers plan, execute, and control programs; yet, within the government and many companies, individuals and groups bargain with program managers all the time. Integrated Product Teams (IPT) is, at its very essence, participative

management.

The collective decision making and shared responsibilities of an IPT in many ways limit the program manager's authority by what the IPT and other subordinates are willing to accept. In making the tradeoffs and reaching the right decisions, a typical program manager spends more time negotiating in their daily work than contract managers ever do. One could argue that successful program man-

agers spend so much time harmonizing or reconciling needs that they have to be naturally gifted with an intuitive understanding of people and persuasion. This article explores the basic building blocks of the bargaining process and provides some practical advice on how program managers can be more effective in negotiating solutions to complex problems.



Long is an Assistant Professor at the School of Systems and Logistics, Air Force Institute of Technology, and holds a Doctorate of Jurisprudence. He has also authored a textbook on the Negotiation of Government Contracts and developed a negotiation course for the George Washington University Law School Government Contracts Program.

Program managers have been compared to orchestra conductors. Both have overall responsibility for an often complicated finished product and customers who expect their "money's worth."



Behavioral Science Aspects of Negotiation

Under Abraham Maslow's five-tiered hierarchy of needs, each lower need must be met before a higher need. Physiological needs such as hunger have a higher priority over safety, which ranks over social, then self-esteem, and finally self-actualization. As the needs are satisfied, their power to motivate is diminished. Motivation in negotiations is important since if one party is not motivated, an agree-

ment can be reached only if the other party is willing to sacrifice its interest to the other. For example:

- Under level 1, "physiological," discussing the merits of an Engineering Change Proposal during Ramadan with a Muslim department head who is fasting during daylight hours may be very difficult since hunger and thirst needs have not been met.
- Under level 2, "safety," a systems engineer would probably agree to any design detail under threat of bodily injury or job loss.
- With level 3, "social," a manager from a matrix organization with a strong need of belonging to a "team" might be easily influenced by other team members or peers instead of insisting on a correct but unpopular position.
- In level 4, "self-esteem," a team leader who belittles an engineer during an IPT meeting may reduce the engineer's self-esteem and thus the overall bargaining power of their team when attempting to convince the program manager of the merits of the team's position.
- The last need, level 5, "self actualization," can be best exemplified by a program manager who desires to conclude a program on schedule and under budget.

Motivation plays a large part in any negotiation. It can be characterized by needs of achievement, affiliation, and power. While effective negotiators are motivated by different things, they usually do share a need for achievement. Individuals also have different needs for affiliation. Affiliation deals with socialization issues such as the loner who does not care how others perceive him. Effective program managers are often individuals who do not have a need to be liked by everyone nor are they loners but are frequently team players who are not afraid of exercising independence from the

group in order to meet team objectives. Finally, there is the factor of power. The power motive can be attributed to someone who enjoys taking personal responsibility in problem solving and does not hesitate to exert influence in persuading others.

Communication Skills and Styles

Program managers need to be good listeners. Good listening skills can be contagious since people tend to listen better when they feel they are understood. It is natural to feel that a person who understands you is intelligent and sympathetic and may themselves have opinions worth listening to. A genuine understanding of another's perspectives, feelings, opinions, and attitudes helps release the productive potential inherent in people.

In addition to good listening skills, program managers must also understand how to use and answer questions. Proper questions and well-prepared answers can provide much useful information. Improper questions can alienate and antagonize leading to a breakdown in communication. There are numerous types of questions that one should be familiar with. Controversial questions are asked to provoke an argument or emotional response and can be used to flush out hidden issues or put a party on the defensive. Ambiguous questions have two or more meanings and should not be answered until a clarification to the ambiguity is given. Leading questions can produce a desired answer irrespective of actual memory. Open-ended questions can open up an individual who is reluctant to talk while yes/no questions can shut down someone who wants to argue or is rambling. If a question was important enough to ask, it should be important enough to allow a complete answer without interruption. An interruption can disrupt a respondent's thought pattern and prevent the disclosure of valuable information.

A person's personality can be closely linked to their communications style. Attitude, which is a significant part of

one's personality, is connected to character traits, which can indicate that a person accepts power and authority or rejects it. Program managers should recognize attitudes among team members since they may pose as possible impediments to successful program management. Unlike attitudes, opinions are only a temporary way of perceiving something. Opinions can be more easily overcome with convincing arguments. Other personality characteristics that are important to recognize are strong and weak personalities and introverts versus extroverts. For example, during the give and take of any collaborative decision making, a strong personality might forcefully assert a position regardless of its relative merits, while introverts with a weak personality may direct their thoughts and interests toward themselves by pursuing a minor issue exhaustively. Understanding these personality characteristics can help a program manager not only better understand an organization's weaknesses but also assist in the selection of more effective team players.

Strategic Considerations

An important step in any bargaining process is the identification of one's *Best Alternative to a Negotiated Agreement* (BATNA). Program managers can use BATNAs to protect themselves against bad decisions. For example, I plan on purchasing a new van of a particular make and model with particular features for no more than \$20,000. After visiting numerous dealers, I enter in negotiations with one that offers me the lowest price yet of \$23,000. Accepting it because it is the lowest available price may not be rational since I have already determined that \$20,000 is all I want to spend. However, during my negotiations over a two-month period with several dealers, I have learned many things, including the

possibility of tailor-making a lease plan to fit my financial limitations. If I stick to my bottom line, I become very rigid and inflexible. I also am less likely to explore the variables that could cause me to raise or lower my bottom line.

However, if I develop a BATNA, I will have a standard that I can use to compare any proposed agreement to, and determine whether it better satisfies my interests. In this example, if I can-

not find a van for an affordable price before the engine in my existing car wears out, my BATNA might be to buy a demo or slightly used model, buy a station wagon, ride public transportation, or even replace or rebuild my old engine. Unfortunately, it is not uncommon for people to accept the lowest price they can get only to regret their decision later when they have come to the realization that they cannot afford it.

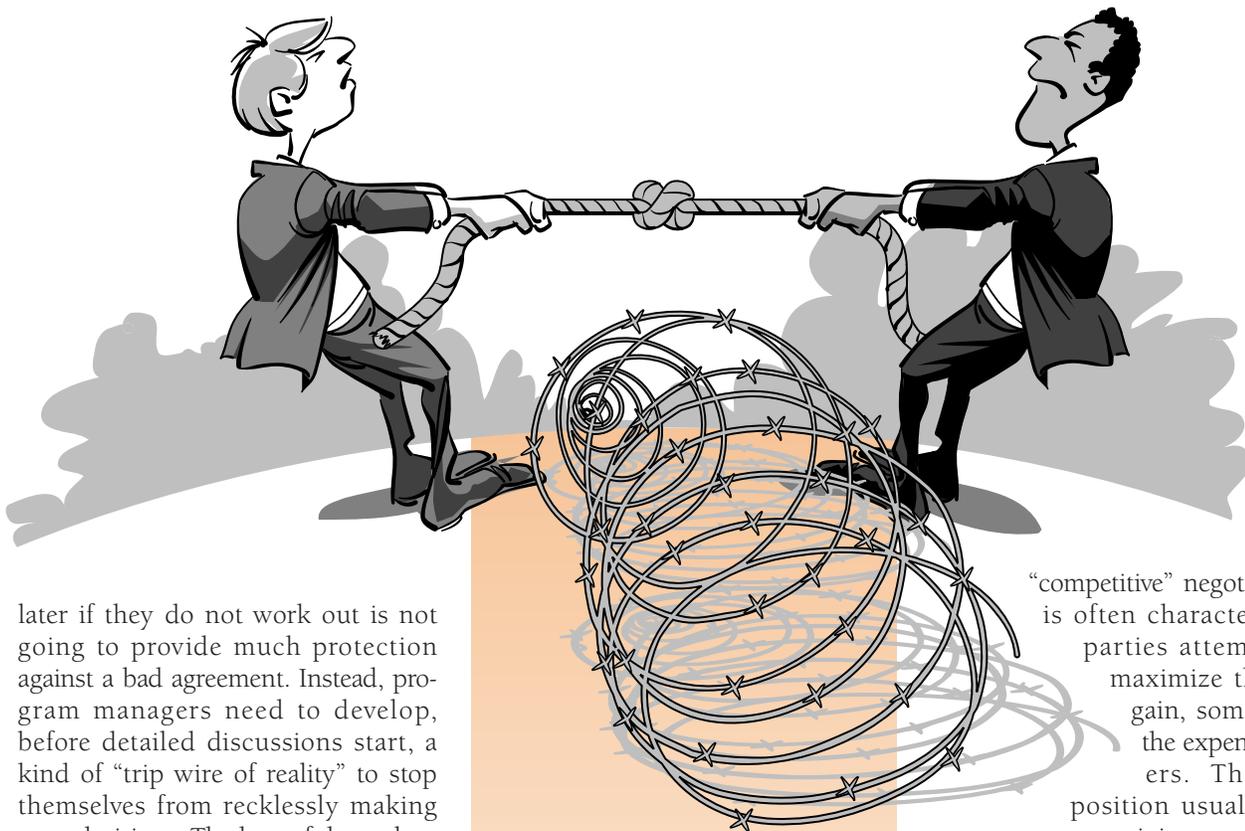
In program management, there are always competing interests and stakeholders. For example, in the acquisition of an aircraft one functional area of an IPT may want a more powerful engine, while another in a conflicting functional area such as financial management may feel the extra time and cost involved in improving the air frame to accommodate the larger engine is not worth it. The two engage in a bargaining process, eventually including the program manager. A BATNA would help the program manager agree to an optimum solution by recognizing which tradeoffs are worth accepting.

The reason for negotiating is to get something better than we would have been able to get if we did not negotiate for it in the first place. Managers negotiate with their subordinates to secure their participation in executing whatever was agreed to. However, in some situations, reaching an agreement may not always be possible or in the program's best interest. If the ultimate tradeoffs and concessions demanded by a party are so substantial that they jeopardize the program's objective, no agreement should be made which, in turn, forces the program manager to impose the decision without any "buy-in."

There may be better options available, but negotiating first to see what happens and figuring out the alternatives

An important step in any bargaining process is the identification of one's *Best Alternative to a Negotiated Agreement* (BATNA). Program managers can use BATNAs to protect themselves against bad decisions.





later if they do not work out is not going to provide much protection against a bad agreement. Instead, program managers need to develop, before detailed discussions start, a kind of “trip wire of reality” to stop themselves from recklessly making poor decisions. The best of these alternatives will be the standard against which any proposed decision should be measured. Unfortunately, developing and considering alternatives is no easy task, especially for large organizations and programs.

Developing your BATNA before the negotiation adds power to the negotiator because it gives an attractive option if an agreement is not reached. For example, a buyer is negotiating the purchase of a house from a seller who does not have a job and is close to having his home foreclosed. If the seller feels his only alternative is to sell the house and the housing market is weak, the buyer will probably have a tremendous advantage during negotiations. However, if the seller has developed a list of practical alternatives—such as lease the house and move into a less expensive apartment, keep the house but rent out several rooms, borrow on the equity to make the payments until he can find other work, or negotiate a grace period with the existing lender—and from this list selected the best alternative, the seller can walk away with confidence from any negotiation that does not meet the required price.

During the negotiation, little information as possible is given to the opponent. An arsenal of tactics is used to get large concessions while giving as few concessions as possible.

Tactics

In addition to strategy, program managers should be knowledgeable about the use of tactics, why they work, and how to defend against them. Tactics are nothing more than procedures, some ethical and some not, which assist a negotiator in gaining an advantage. When bargaining, it is common for negotiators to take and argue for positions, use tactics to seek a competitive advantage, and make concessions to reach a compromise. This type of negotiation is often referred to as “positional” but is also known as

“competitive” negotiations. It is often characterized by parties attempting to maximize their own gain, sometimes at the expense of others. The initial position usually represents, at a minimum, everything that the negotiator wants. During the negotiation, little information as possible is given to the opponent. An arsenal of tactics is used to get large concessions while giving as few concessions as possible. This methodology has been successfully applied for thousands of years and is typically used between the government and contractors.

However, positional bargaining would severely impede IPTs because the focus is on positions such as “I want a bigger engine” and not on meeting the underlying concerns such as “Why do you think you need a bigger engine?” Program managers are supposed to be searching for optimal solutions, but positional bargaining often results in a minimally acceptable compromise or mechanical splitting of the difference rather than a “win-win” solution.

“Interest-based” negotiations involve separating the underlying needs of the parties from their position. By knowing each other’s interests, the negotiating parties can develop creative solutions that meet their legitimate needs. Instead of being a contest of wills and power, the process becomes a prob-

lem-solving endeavor where the give and take is done based on merit. The results are outcomes produced efficiently and amicably. The method involves four essential points:

- Separate the people from the problem.
- Focus on interests and not positions.
- Invent options for mutual gain.
- Use objective criteria or a “fair” standard to determine the outcome.

However, not all people communicate in such an open fashion. This is especially true for professional negotiators, who by their very nature, are competitive people. For example, contract negotiators are usually selected and driven to win. Opening up and “sharing their own personal or corporate interests” would be tantamount to suicide against another competitive negotiator.

Interest-based advocates argue that unless interests are discovered, the parties are only dividing up the pie instead of enlarging the pie before its cut. However, most experienced negotiators believe that the less they talk, the better off they are. Since negotiations usually consist of a mix of common and conflicting interests, competitive negotiators will look behind positions for the information and interests that are driving the positions being taken. This enables a negotiator to better meet their needs and also harmonize or reconcile the needs of the other party when necessary or appropriate.

For example, in a contract negotiation, the contractor will want to know when and how bad the government needs the product or service, the amount of competition, the time available to complete the negotiations, and the power and motivation of the government counterpart. On the other hand, the

government negotiator will want to know how bad the contractor needs the contract, how much of its proposal contains “fat,” and the power and motivation of the offerer’s lead negotiator. Negotiators would not usually share this type of information with their opponent since it could be easily exploited to their disadvantage. For example, a seller of a house who lost a job and is about to have a home foreclosed would be almost assured of getting low offers if potential buyers knew the predicament. The seller could argue that the price should be based on objective criteria such as a recent real estate appraisal, but it is doubtful that any buyer would be persuaded to accept a higher price from an appraisal with knowledge of the seller’s vulnerability.

While the purchase and sale of a home involves a short-term relationship with unrelated interests, IPTs present a different situation. A large system’s procurement may span many

years and requires cooperative problem solving at all levels within the government. Program managers and IPTs cannot afford to become polarized. Therefore, any tactics employed must be used carefully and judiciously. If poorly conceived or executed, they can be counter-productive and damaging. However, without trust and a good working relationship, it is unrealistic to expect participants to lay down their deck of cards and bare all. Interest-based negotiations will only occur naturally between program managers and IPT members who know and have confidence in each other, thereby eliminating any need for gamesmanship.

Time

The amount of time available to each party is one of the most significant factors affecting a negotiation. Time tactics, when credible, can provide an enormous amount of leverage even when the time limitations are not real. However, if an IPT does not have enough time to plan, prepare, and negotiate, the negative effects can be absolutely disastrous. For example, program managers have been known to use funding and fiscal year deadlines as pressure tactics to push contracting officers and IPTs into making decisions, even though such deadlines may be artificial deadlines used to precipitate a decision.

Straw Issues

It is not unusual during any bargaining to have items that are valuable to one side while unimportant to the other. For example, a system design engineer may intentionally include an additional requirement for increased verification testing in an item specification, even though it may not be important or necessary. The real intention behind the additional testing is to require a more rigorous design spec. The engineer may then argue at length to support the need for additional testing only to later con-

...without trust and a good working relationship, it is unrealistic to expect participants to lay down their deck of cards and bare all.



cede the issue in exchange for the improved design spec.

Bogey

Most major systems acquisitions have severe restrictions on what can be bought and how much can be spent. It is difficult to argue with “that’s all I’ve got,” but the premise should always be realistic. Always be prepared to test a bogey and explore other alternatives. For example, alternatives to current-year funding limitations could be extending a program over additional years, modifying specifications to trim away expensive features, and in commercial government contracts, creative contractor financing.

Blaming Legal Restrictions, Third Parties, and Other Experts

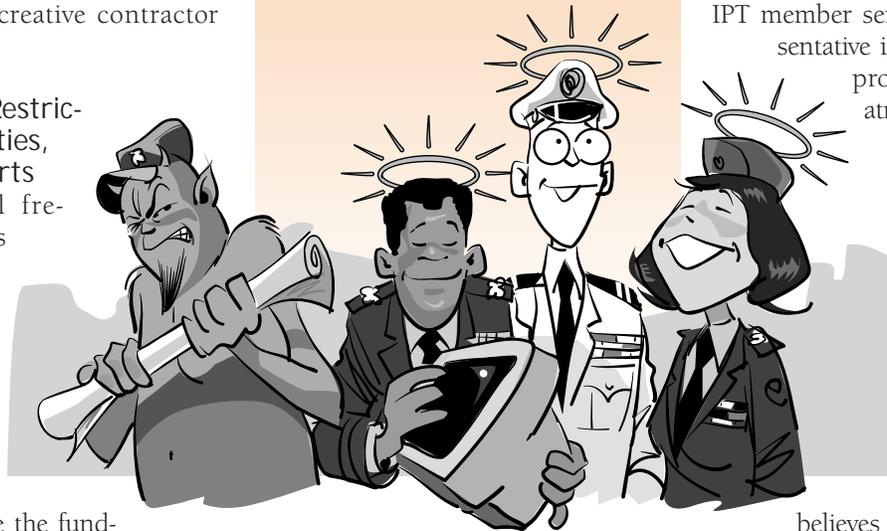
Negotiators will frequently use items that appear to be out of their control as justification for not compromising on an issue. For example, “If we implement what you want, we may lose the funding altogether.” While these statements may sometimes be *bluffs*, they may also be asserted with a genuine belief of their correctness. Even so, regulations and other items are often misinterpreted and can be refuted with logical persuasion as to why they are flawed.

Misunderstanding

A deliberate misunderstanding can be used to get a person to defend their positions or elaborate further on issues. It can flush out reasoning and interests but also cause frustration, e.g., in the case of an engineer from a



Once identified, remember that both good and bad guys are on the same side.



functional group on an IPT who has made repeated unsuccessful attempts to explain something to another person who appears incapable of comprehending the arguments.

Good Guys—Bad Guys

In this tactic, people can take extreme positions that may be countered by someone who is more conciliatory and moderate but is actually advocating their side’s true objective. Bad guys can be agency policies or people like engineers, lawyers, and auditors who use their “expert” opinions to frustrate

the other party. Once identified, remember that both good and bad guys are on the same side.

Change of Player

Team members are sometimes changed to wear down the other side. The opponent is forced to start the process all over with someone unfamiliar by repeating old arguments until mistakes are made and discrepancies exposed. Sometimes, it is necessary to replace individuals because of personality clashes or because they are unable to subordinate a personal agenda to the team objective. This may be a positive gesture such as when a program manager who has butted heads with an IPT member sends a technical representative instead which, in turn, promotes a conciliatory atmosphere.

Threats

All threats are bluffs unless the negotiator doing the threat is prepared to carry it out. It makes no sense to use it unless you are reasonably sure that the other party

believes you will use it. By its very nature, negotiations involve various degrees of threats. The simple possibility of a program manager imposing a decision on the team constitutes a type of threat. Usually, parties use mild and implied threats because direct threats can inflame a problem and invite retaliation. Countermeasures for threats can involve protesting to the highest management, showing that the threat will not affect you or that the person threatening has more to lose than you, or by demonstrating that you are prepared to take the consequences no matter what the price.

Emotions

Emotions cause people to lose touch with reality. It has been called "a prostrating disease caused by a determination of the heart to the head." When people are emotional, they do not think clearly. The negotiation process can sometimes be a breeding ground for angry, fearful, depressed, frustrated, and hostile people with personal relationships entangling with substantive issues. While program managers can pay a huge price for losing their composure, the very sparing use of a staged outburst can test another person's resolve, question their self-confidence, and force them to reassess their position. Even if the person is genuinely upset, the best countermeasure is to separate the people from the problem, while not directly reacting to their outbursts.

Opening Offers, Counteroffers, and Concessions

Those with higher aspirations in life often end up with better results, and it

is the same in negotiations. Our personal level of aspiration is a yardstick by which we measure ourselves. The more successful we are, the more we aspire. In negotiations, high demands and hard-fought concessions can lower the other side's aspiration level and also give a team more room to negotiate. However, being unreasonable, unrealistic, and unconvincing is also a formula for deadlock.

While it is a common practice to give concessions on minor issues or in areas that are not important to you but are to the other party, demands and concessions are most effective when they are less predictable. Avoid tit-for-tat concessions. This does not mean that one should be arbitrary. Cooperation, not arbitrary behavior, will lead to better program decisions. Demands and concessions are only a product of your bargaining power, which is your ability to influence the behavior of the other party. Program managers may appear to have all the power, but IPTs

often have more power than they realize. Successful negotiators know when to ignore an opponent's power and when to use both their real and perceived power to their advantage. This will dictate the appropriate use of demands and concessions within the confines of an IPT.

Conclusion

Program managers have to deal with a variety of experienced and creative people. It is through negotiations that program managers secure team participation and successfully execute the acquisition process. Limited resources, diverse personalities, complicated issues, and other variables and constraints can make reaching the "right" decision a difficult challenge. While the tactics and strategies discussed in this article may or may not be appropriate in any given situation, thorough planning, logic, and persuasion will always be the program manager's best tools in reaching sound agreements.

DSMC HOME PAGE SURVEY

Program Manager magazine and the Acquisition Review Quarterly journal are now available on the DSMC Home Page. Users can access our website at the following URL:

<http://www.dsmc.dsm.mil>

Please take a few minutes to let us know what you think by answering the following questions:

1. Were the files easy to access? YES NO Explain

2. Are there other home pages that present similar information in a better/different way? YES NO
If YES, please list the URLs and indicate why you like or prefer the other home page formats.

3. What else would you like to see DSMC provide via our home page?

4. Please list your suggestions for improvement of the DSMC Home Page.

Thank you for your time. Please return either this survey form or a legible copy, to the following address or fax number:

DEFENSE SYST MGMT COLLEGE
ATTN RCID
9820 BELVOIR ROAD
SUITE G38
FT BELVOIR VA 22060-9989

Comm: (703) 805-3856
DSN: 655-3856