

ADA 121 642

AIR FORCE CONTRACT NEGOTIATIONS: IMPORTANCE,
ROLES, AND MAJOR PROBLEMS IN THE UNITED
STATES AND FOUR NATO COUNTRIES

Sponsored by

Air Force Business Research
Management Center

Prepared by

William Gardiner Associates
Incorporated

Contract Number	F33615-80-C-5188
Effective Date of Contract	September 30, 1980
Contract Expiration Date	July 7, 1982
Short Title of Work	Contract Negotiations in the Air Force

The views expressed herein are solely the
views of the author and do not represent
those of the United States Air Force.

June 1982

CONTENTS

	Page
EXECUTIVE SUMMARY	1
I. INTRODUCTION	3
II. BACKGROUND	4
The Problem	4
Study Objectives	7
Methodology	7
Domestic Negotiations	7
Foreign Negotiations	9
Organization of the Report	9
III. NEGOTIATORS	10
Summary	10
Importance and Role of Negotiations	11
Major Problems Reported by Respondents	12
Major Problems Indicated by Answers to Specific Questions	17
IV. MANAGERS OF CONTRACT NEGOTIATORS	24
Summary	24
Importance and Role of Negotiations	25
Major Problems Reported by Respondents	26
Major Problems Indicated by Answers to Specific Questions	35
V. SYSTEM PROGRAM OFFICE (SPO) PERSONNEL	40
Summary	40
Importance and Role of Negotiations	41
Major Problems Reported by Respondents	43
Major Problems Indicated by Answers to Specific Questions	50
VI. THE NUANCES OF NEGOTIATING OVERSEAS	55
Introduction	55
Methodology	55
Organization	56

	Page
Cross-Cultural Negotiations	56
Intercultural Communication	56
Negotiations with Europeans	58
Cultural Nuances: An In-Country Perspective	62
The United Kingdom	62
The Federal Republic of Germany	64
The Netherlands	65
France	66
Conclusions: Suggestions for Negotiating With a European	70
VII. RECOMMENDATIONS FOR FURTHER RESEARCH	72
Negotiations in General	72
Negotiations with Europeans	72
.	
APPENDICES	
A. Information on Survey Populations and Respondents	73
B. Survey Questionnaire	75
C. Letter from Colonel Bernard L. Weiss	97
D. Letter from Major Charles R. Wisniewski	98
E. Letter from Major James P. Weber	103
F. Questions on the Nuances of Negotiating Overseas	105
BIBLIOGRAPHY	108

EXECUTIVE SUMMARY

The objective of this study was to ascertain the role and importance of the contract negotiation function as perceived by Air Force acquisition personnel and to identify ways of improving negotiation effectiveness. Special emphasis was placed on negotiator skills in domestic negotiations and on negotiation peculiarities in the foreign contract environment of overseas negotiations.

Of the two major types of defense acquisition methods, formal advertising and negotiation, the latter is by far the most prevalent. It is a method for soliciting proposals and selecting a contractor without formal advertising and formal price competition.

The Air Force personnel who were surveyed believe that contract negotiations play a vital part in the acquisition process. They indicated that negotiations function to hold down prices, assure that the desired products are acquired and provide a unique, irreplaceable method for achieving a meeting of the minds between the Air Force and its contractors.

A wide variety of problems and issues that are perceived as obstacles to achieving negotiation objectives were reported. Excessively rigid time schedules and corresponding work overload were the most frequently volunteered responses. Also high on the list of major problems cited was the loss of skilled negotiators to other positions.

Money was another frequently mentioned problem. Government concern with profit rather than price, contractor perceived risk of losing money, low profit rates, and the resulting loss of bidders and prevalence of sole source acquisitions--all were considered major problems that make it difficult for the Air Force to achieve its acquisition objectives.

Survey respondents perceived that Air Force negotiators need more experience, training, and negotiating ability as compared with their counterparts in large companies. The turnover of skilled contract negotiators accentuates this problem. As a result, all three groups

believe that the elevation of the contract negotiator specialty to the level of a professional career--with commensurate personnel selection, training, and grade levels--would have a very positive effect.

Regarding the nuances of negotiating overseas, there is an increase in purchases by the U.S. Air Force and its defense contractors from NATO country sources as a result of Foreign Military Sales and the resulting commitments to offsets, the NATO Rationalization, Standardization, and Interoperability program, and the growth in technology and capability experienced by many NATO countries. Virtually all of these purchases are and will be a result of negotiations. The success of these negotiations are influenced, in part, by the American negotiators' ability to understand the needs and the ways of thinking and acting of the individuals representing the NATO country enterprises and organizations.

The success of a negotiation depends, to a large degree, on one's ability to communicate with one's opposite. This can be difficult for people from the same culture, but intercultural communication is more difficult. Though we may overcome the barriers of differences in language, we may still fail to understand and be understood. National character influences the types of goals and processes the society pursues in negotiation.

In addition to standard preparations appropriate to all negotiations, when dealing with people from other cultures, the negotiator will benefit greatly from an extensive study of the culture represented. It is desirable to become acquainted with the Europeans on a social basis. By developing a bank of social goodwill, a desire and willingness to understand is created, and these bases of understanding frequently prove to be invaluable during subsequent transactions.

In addition to providing insight into the cultural background of individuals from the four countries of the United Kingdom, the Federal Republic of Germany, the Netherlands, and France, the report identifies several nuances common to most negotiations with Europeans. It also identifies nuances individual to each one of the four countries.

The report concludes with several recommendations for negotiators who are preparing for discussions with citizens of any of the four countries.

I. INTRODUCTION

The objective of this study was to ascertain the role and importance of the contract negotiation function as perceived by Air Force acquisition personnel and to identify ways of improving negotiation effectiveness. The Defense Acquisition Regulations state that the policy of the Department of Defense with reference to contract negotiations is "to procure supplies and services from response sources at fair and reasonable prices calculated to result in the lowest ultimate overall cost to the Government." (U.S. Department of Defense, 1978, 3-801.1) Special emphasis was placed on negotiator skills in domestic negotiations and on negotiation peculiarities in the foreign contract environment of overseas negotiations.

Three populations were included in the study: contract negotiators, managers of contract negotiators, and System Program Office (SPO) personnel who use the services of and participate in contract negotiations with contract negotiators. Further, four Air Force System Command (AFSC) product divisions were selected to participate in the study: the Armament Division (AD), Aeronautical Systems Division (ASD), Electronic Systems Division (ESD), and Space Division (SD).

The study of important differences encountered when negotiating with foreign nationals was conducted, under subcontract, by David N. Burt. Dr. Burt focused on four NATO countries: the United Kingdom, Germany, the Netherlands, and France.

We are grateful to Major James P. Weber of the Air Force Business Research Management Center (AFBRMC) for his assistance in making necessary arrangements for the survey and for providing coordination and direction to various Air Force elements involved in the survey. Our appreciation is extended also to the survey coordinators at the participating AFSC divisions: Major Peter J. Nagy, AD; Mr. Jerry Braverman, ASD; Major Charles R. Wisniewski, ESD; and Mr. Frank Deluna, SD.

II. BACKGROUND

The Problem

The negotiation of government contracts is a process of primary importance to Air Force acquisition personnel. Though the number of contracting actions conducted under the advertised method far exceeds the number using the negotiated method, the majority of contract funds are obligated using the latter method. For example, during fiscal year 1980 negotiated contracts accounted for 92 percent of prime contract dollars awarded (U.S. Department of Defense, 3).

In tracing the historical development of procurements in 1969, Cox and Jarrett stated that negotiated procurement has long been the rule even though, by law, advertised procurement is the preferred method. In 1974 Fox (254) emphasized this point when he said:

The procurement laws call for advertised bidding as the preferred method, but only ten to twelve percent of the procurement dollars are spent in this manner. . . . Whereas competitive advertised bidding is long established and continues to be beneficial and should be vigorously pursued, the Government's interests are not protected by attempting to purchase through advertised bidding when the conditions or circumstances for such bidding are inappropriate.

Since approximately 92 percent of the defense dollars awarded in fiscal year 1980 involved the negotiated method (U.S. Department of Defense, 1981, 3) and since the Air Force awarded \$18 billion in the same year (U.S. Department of Defense, 1981, 5), it may be assumed that Air Force contract negotiations involved approximately \$16.5 million.

The importance of the negotiation function to the defense of the United States suggests the need for a continuing effort to improve negotiation effectiveness and thereby to improve the outcomes achieved through negotiation (Mullen, 10). It has been said, however, that negotiating is something everybody does and knows about but few know enough about it and even fewer do it well (Fischer, 3). G. W. Rule (A-1) puts it another way: "The art of conducting negotiations is one of the most important

human functions in the world today . . . and one of the least understood."

Many people who are not directly involved in defense contract negotiations believe that such negotiations are limited to initial pricing and agreement of contract terms and conditions (Mullen, 9). Negotiations, however, do not end with the awarding of a contract but continue throughout the contract's life. Items that are negotiated later include contract changes, acceptance of designs, acceptance of prototypes and initial production units, price of documentation, and a various assortment of contingencies (Fox, 348).

Nierenberg (29) points out that "successful negotiations are not sensational. No strikes, lawsuits, or wars occur. Both parties feel that they have gained something. Even if one side has to give up a great deal, the overall picture is one of mutual gain." On the other, according to Karrass (25), "in real life most people appear to express satisfaction with the outcome of a negotiation even when we as outside observers consider the outcome one-sided." A question that becomes apparent is why one party wins more than the other. No clear answer is evident, but the concept of consistent winning is a fundamental assumption of research on the subject of negotiation (Bearden and Chipman, 3,4).

One difficulty with the research and literature on negotiation is that it is primarily topical in focus (Straus, viii), not only in the sense that it tends to cluster around such traditional areas as labor bargaining, diplomatic negotiations, "conflict resolution," and market bargaining, as pointed out by Strauss (vii), but also that it deals with such subjects as negotiator traits, negotiator skills, strategy, tactics, negotiator knowledge, and various combinations of these and other factors. For example, Brocius and Erickson have studied the effects of simulation in preparing for negotiations; Marshall and Pratt emphasize strategy and tactics; Waldman and Rutledge are concerned with strategy factors; and Muzio, along with McConnell and Martinez, is interested in pricing. Further, Karrass, Bearden, and Chipman; Novak and Whitley; Lippencut; and Mullen stress the personal characteristics of negotiators. In addition, Lee and Dobler (1965, 173-4) infer that the government negotiator can best accomplish his primary objectives by knowing the contract requirements, the factors underlying the contractor's cost estimates, areas where contractor contingencies have been included, and the actual cost/price range at which the contractor will be willing to accept the contract (Novak and Whitley, 12).

As a result of these and other studies, various problems have been reported. For example, Muzio (77) finds that contract management offices are undermanned and staffed with inexperienced personnel and that military grades are too low to be effective. Miller (89) notes that the most troublesome negotiated procurement problems in DOD are poorly written Requests for Proposals (RFPs), technical leveling, technical transfusion, auctioning, and buy-ins. Miller (93) also states that no regulation can change the fact that DOD is a monopsonistic buyer, nor can it eliminate all factors that motivate buy-ins.

Baxa and Hicks, who investigated the relationship between contracting parameters and contract disputes, found that the willingness and ability of contractors to appeal disputed issues are related to business size (large firms are more apt to appeal), location in labor surplus areas, and the complexity and uncertainty of the technology. It is not difficult to imagine that these same issues could hamper an Air Force negotiator in achieving his or her contract negotiation objectives. Baxa and Hicks also report on the Commission on Government Procurement's concern about the possibility of driving companies away from doing business with the government because of the expense of resolving contract disputes. They state further (4) that the government complicates the contracting environment "by using the government contract as an instrument of national policy to enforce those social, economic, and regulatory situations that have been enacted into law."

Brosius and Erickson (2) describe negotiation as an art that results from innate ability and practice. However, though an artist is rewarded for his skill in terms of money, with the good artist tending to earn more than one who is less skilled, the government contract negotiator does not receive a variable salary depending on the extent to which he achieves established negotiation objectives.

Ruckle (1) reports that a 1976 survey of selected financial institutions (Brown and Stothoff, 1) revealed that defense business was overwhelmingly judged as a poor investment and that, compared to commercial ventures, it is characterized by low profits, technical uncertainties, limited product markets, and oftentimes the injection of politics into business decisions. Furthermore, the analysis of final negotiated contract prices by these institutions tends to suggest that government negotiators may be more concerned with justifying the profit rate than with the final negotiated contract price.

Robertson (2/16/81, 73) notes that "the average negotiated profit rate on defense contracts in fiscal 1979 (the latest index available) was 10.7 percent, almost unchanged from 10.5 percent in fiscal 1976." In addition, he quotes John Richardson, President of Hughes Aircraft Company, as stating that cash flow is the most critical problem facing defense contractors in the current environment of double-digit inflation and prime interest rates.

In addition to the problems and potential problems mentioned above, there is considerable discussion in the literature on the need to improve negotiator skills, as well as negotiation objectives, strategies, tactics, and the negotiation team. There is very little information, however, on the differences in and pitfalls of negotiating defense contracts with foreign nationals. This lack is difficult to explain in view of the increase in foreign purchases and sales by the Air Force and its defense contractors.

Study Objectives

Like many previous studies, this one aims to identify specific instances in which the negotiation skills and techniques of Air Force personnel should be improved with regard to domestic contract negotiations. It takes a further step in attempting to identify and rank order all factors that are perceived as obstacles to the Air Force in achieving its contract negotiation objectives. Finally, it provides some information concerning the peculiarities encountered in negotiating contracts in four NATO countries--the United Kingdom, the Federal Republic of Germany, the Netherlands, and France.

Methodology

Domestic Negotiations

It was decided at the outset of the study that perceptions of problems in negotiation should be obtained from several points of view. Consequently, three populations were sampled: contract negotiators, managers of contract negotiators, and users of the services of contract negotiators. Interest focused on research and development and systems acquisition contract negotiations under the assumption that they were more varied and posed more potential problems to

negotiators than other types of acquisitions. This decision resulted in the selection of four Air Force product divisions to be included in the survey: the Armament Division (AD), Aeronautical Systems Division (ASD), Electronic Systems Division (ESD), and Space Division (SD).

The design of the study called for a random sample of approximately one hundred personnel from each of the populations. In addition, the sample design was stratified by product division in accordance with the number of each type of personnel at each location. In practice, it became infeasible to determine the number of System Program Office (SPO) personnel who use the services of and interact with contract negotiators at each product division. However, it is believed that the more than one hundred management-level personnel who were selected and completed the survey instrument provide a reliable indication of the perceptions of knowledgeable SPO personnel within the four product divisions. No problems were encountered in obtaining headcount information and designing the samples of the other two populations. Appendix A provides information on the populations and samples.

The questionnaire that was developed to obtain perceptual information regarding contract negotiations was based on interviews with acquisition personnel at ASD and on the literature discussed earlier in this report. It was reviewed by, and suggested revisions were obtained from, more than a dozen acquisition personnel at ASD and from the staff of the Air Force Business Research Management Center (AFBRMC) as well as from Headquarters, AFMPC/MPCYPS. After approval was obtained from the latter, approvals were also obtained from military and civilian unions in Washington and at the four locations included in the survey. A copy of the questionnaire is continued in Appendix B.

Subsequently, the support of the four product divisions was requested by Brigadier General Bernard L. Weiss, DCS/Contracting and Manufacturing, Headquarters, Air Force Systems Command. Appendix C is a copy of General Weiss' letter to the divisions announcing the survey.

Survey coordinators were appointed at each of the four locations to select participants randomly for the survey and to administer the questionnaires. In addition, Major James P. Weber, AFBRMC, provided on-site instruction and assistance to the survey coordinators at ASD and SD. William G. Gardiner, of William Gardiner Associates, Incorporated, held two meetings with Major Charles R. Wisniewski, ESD Executive Officer, who served as survey coordinator for the first use of the questionnaire.

Letters from Majors Weber and Wisniewski, indicating how respondents were selected, are contained in Appendix D. Similar procedures were followed in selecting participants at AD and ASD.

Completed questionnaires were coded, computer-processed, and analyzed. Write-in comments were copied, sorted by subject matter, and included in the report to provide indications of some of the thinking behind reported problems in contract negotiations.

It should be noted that percentage figures contained on the report do not always total 100 percent. In some cases this is due to the rounding off of decimal values. In other cases, only the most frequently occurring problems or problem categories are reported.

Foreign Negotiations

Information for the section of this report that deals with the nuances of negotiating overseas was obtained from a search of the general literature and from interviews. Interviewees included people who have had recent experience in negotiating overseas. They included two vice-presidents, two project managers, two sales managers, one director of purchasing, four procurement supervisors, and three buyers.

Organization of the Report

The body of the report contains four sections--one for each of the three populations surveyed and one concerning overseas negotiations. Appendices and a bibliography appear at the end of the report.

III. NEGOTIATORS

In total, 116 questionnaires were completed by contract negotiators and processed. Information on the background of the respondents is contained in Appendix A.

Summary

Contract negotiators rated the negotiation function highly in terms of its importance among the tasks necessary to achieve acquisition objectives. Effective negotiations were seen as vital to avoiding unnecessarily high contract prices and unsatisfactory end products. On the other hand, progress payments were perceived as a potential road block to mutually satisfactory contract negotiations.

When asked to identify the major problems, if any, that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives, negotiators cited numerous such problems. These problems were classified into various categories to facilitate analysis and understanding. The most important categories include method, technical, money, and organization-administration-management. The problem named most frequently is summed up as "time constraints and associated work overload, time-line management, and pressure by program management."

Most of the survey instrument consisted of questions regarding specific problems. The topics ranking highest as obstacles to the Air Force in achieving negotiation objectives were as follows: cost-price-profit, contractor perceived risk of losing money, loss of skilled negotiators, sole source acquisitions, and too much dependence on regulations.

In addition, negotiators were asked to comment on the personal characteristics of negotiators and to compare the qualifications of Air Force negotiators with their counterparts in large companies. In general, negotiators agreed that such personal characteristics are important factors in achieving negotiation objectives and that Air Force negotiators have sufficient skills to bargain effectively. But their evaluation of specific factors, such as experience, business ability, training, and to

some extent, negotiating ability, indicated that the qualifications of Air Force negotiators should be improved if they are to compare favorably with contract negotiators in large companies.

Importance and Role of Negotiations

Negotiators rated the negotiation function highly in terms of its importance to them in their efforts to achieve their acquisition objectives. Ninety-two percent rated it considerably important or very important, the top two choices on a scale of one to five.

Some of the comments offered by respondents concerning the importance of negotiations are as follows:

Very important--direct exchange almost always necessary to insure "meeting of the minds" regarding program objectives.

High technology research and development requirements dictate the needed flexibility of the negotiation process.

This is the nucleus of the acquisition process.

Sole source negotiation efforts--considerably important. Competitively negotiated efforts--somewhat important. In competitively negotiated efforts negotiations play a less important role because of the reliance on the competitive environment.

Evidence of the value of the negotiation effort is demonstrated in the approach taken by our adversaries in industry. They expend significant time, effort and funds for training, lectures, local and national organizations dedicated to increased professionalism in the contracting field.

Considering the type of acquisitions required and the limited sources, the negotiation method of procurement is the most advantageous to the government in meeting goals of price and other factors of delivery and quality.

In the complicated world of systems contracting, and in my case, electronic systems, negotiations are essential to insure there is a meeting of the minds between the parties involved.

The survey question that drew the most common response concerned the relationship between contract price and negotiation effectiveness. Ninety-six percent of the respondents agreed that ineffective negotiations can easily lead to unnecessarily high prices for goods and services purchased by the Air Force.

Most respondents also perceived a strong relationship between end products and negotiations. Sixty-nine percent agreed that ineffective negotiations can easily result in the acquisition of products that do not meet Air Force requirements. Twenty-four percent disagreed, and 7 percent neither agreed nor disagreed.

Progress payments were perceived by respondents to be an important topic in current negotiations. Seventy-nine percent concurred that progress payments are a significant concern of contractors in current negotiations. Of these, 44 percent agreed strongly. Only 6 percent disagreed, and 15 percent neither agreed nor disagreed.

Major Problems Reported by Respondents

In item 2 of the questionnaire, negotiators were asked to identify major obstacles that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives. They were also asked to rank the problems in terms of importance and to identify the specific type of contract, if any, with which the problem is associated. Responses were numerous and were categorized under various "problem type" headings to facilitate analysis and understanding.

Ninety-nine problems were listed singly, or ranked number one of two or more problems. Sixty-five problems were ranked number two in importance. In both cases, the rankings of the types of problems were the same. This ranking of the problem types that include the 164 problems that were identified as number one or number two in importance, together with the number of individual problems associated with each type of problem, is as follows:

<u>Type of Problem</u>	<u>Number of Problems</u>	<u>Percent</u>
Method	48	29
Technical	29	18
Money	24	15
Organization, administration, or management	19	12
(Other)	44	27

A total of 235 problems, ranked one through seven, were identified by the negotiator group. The distribution of these problems is as follows:

<u>Type of Problem</u>	<u>Number of Problems</u>	<u>Percent</u>
Method	57	24
Money	38	16
Technical	37	16
Organization, administration, or management	34	15
(Other)	69	29

Method

Problems concerning what is called "method" involve the way in which negotiations take place, the overall approach, and the procedures, written and unwritten, that are followed. The most frequently mentioned problems falling under this classification are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Time constraints and associated work overload, time-line management, and pressure by program management	24	42
Sole source acquisitions*	8	14
Changing requirements	5	9
Number of levels of reviews	4	7
(Other)	16	28

Concerning the time constraint problem, one respondent commented as follows:

It has been my observation that "Time Line Management" is a self imposed handicap that becomes a nightmare when cranked into various computer programs. The people charged with negotiation/contracting responsibility become so distracted and diluted with reporting requirements (forms, inquiries, etc.) together with the other social, economic and regulatory requirements, it is difficult at best to organize and prepare for the actual negotiation. Management is diluting the work force's primary mission to obtain data that provides the image of success. The contractor knowing our system rides "time line management" to improve his position and achieve his negotiation objectives.

Other comments on the related topics of time constraints, work overload, and preparation for negotiations are as follows:

Thorough preparation is paramount. But work load makes this difficult to achieve.

More emphasis should be placed on fact finding and fact-finding techniques. Thorough fact finding should make negotiating a lot easier.

*Discussed further on page 20.

Preparation for negotiation was not brought out as a direct question. I believe this is the key to good negotiations.

Too much emphasis is placed on negotiation. More emphasis should be placed on planning, structuring, and implementing the procurement with the performance "realities" in mind.

While an effective negotiation is an asset in obtaining AF objectives and lays the groundwork for a good acquisition, the "prework" (i.e., a well-written SOW, RFP, a good technical evaluation, fact finding, and reasonable objectives) contributes considerably to effective negotiations and the ability of the negotiator to make that negotiation the final link in achieving acquisition objectives.

Money

The most frequently mentioned major problems falling under this classification are:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Validity of government estimates--labor, material, etc.	5	13
Profit rates	5	13
Limited or insufficient funds	4	11

Profit rates are discussed under "Cost, Price, and Profit" on page 18.

Technical

The most frequently mentioned problems falling under the technical classification are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Inadequate technical evaluations and support	15	41
Poorly defined government requirements	7	19
Weak technical support or inexperienced technical personnel	6	16
Inadequate specifications	3	8

It should be noted that the first and third problems are similar, as are the second and fourth. If the similar problems are combined, the most frequently mentioned technical problems could be summarized as follows:

Inadequate technical support	57%
Poorly defined requirements	27%

In the words of one respondent, the factors that limit the effectiveness of negotiations "include marginal technical evaluations and sole source situations." Sole-sourcing is discussed on pages 20 and 21.

Another respondent commented on the quality of technical support as follows:

I believe the major problem is lack of skilled technical expertise in knowing what a task actually entails. Since this type of expertise is unavailable, the negotiator is at a considerable disadvantage in negotiating. The majority of our technical expertise is 2nd Lt's with no previous job experience.

Organization, Administration, and Management

The most frequently mentioned problems falling under this category are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Diluted authority of contracting officer/negotiator	6	18
Management pressure to make a deal	5	15
Diluted/inadequate support during negotiation	3	9
"Back-door" negotiations by personnel not officially involved in face-to-face negotiations	3	9

Other Problems

Other major problems mentioned three or more times are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>
Audits: take too long or insufficient time	4
Lack of training in negotiation techniques or inexperienced negotiator	3
Use of government contracts to implement social legislation	3

Major Problems Indicated by Answers to Specific Questions

Most of the questionnaire was devoted to specific questions concerning contract negotiations. The following paragraphs identify the most important factors in need of attention or improvement based on an analysis of the responses.

Cost, Price, and Profit

From a list of approximately a dozen issues that are discussed during contract negotiations, the items perceived to be most subject to disagreement between Air Force and contractor teams were cost or price. The extent of disagreement over these items was perceived as considerable or great by 80 percent of the respondents, moderate by 14 percent, and not at all or slight by 6 percent.

Two-thirds of the negotiators believed that the government should focus on price rather than profit or fee. However, an observation by one of the respondents was "it really depends on the contract and the effort involved."

Opinions were divided as to where government negotiators actually place their emphasis. Forty-nine percent agreed that government negotiators are more concerned with profit and fee rates than final price; 43 percent disagreed; and 8 percent neither agreed nor disagreed. One respondent commented that negotiators place their emphasis on profit or fee "only because of the emphasis placed upon (them) by management."

It should be pointed out that these two questions regarding emphasis on profit or fee versus cost do not distinguish between fixed price and cost-type contracts. However, since approximately 75 percent of recently contracted dollars and more than 85 percent of recent contract actions are concerned with fixed-price contracts (U.S. Department of Defense, April 1981, 3), it is reasonable to assume that the average response refers to fixed-price situations.

Contractor Risk

The topic that ranked next in terms of overall agreement among respondents was contractor risk. Most respondents agreed that the perceived risk of losing money has a major effect on contractors' negotiation objectives and strategy. Seventy-nine percent of the respondents believed that the perceived risk of losing money affects contractors' negotiation objectives to a considerable or great extent. Similarly, 73 percent believed that the risk affects contractors' negotiation strategy to a considerable or great extent. Obviously, contract negotiations can become more difficult for the Air Force

negotiator to the extent that contractors attempt to hedge perceived risk by bargaining for higher prices, longer delivery schedules, and/or less demanding specifications.

With regard to contractor risk, it is interesting to note that continuous cooperation between the private sector and the Japanese government "helps account for the Japanese economic miracle," according to a recent study of the Japanese financial system by the Joint Economic Committee (Electronic News, 4/12/82, R). The study states that Japanese credit policy was used to pool risks so that the private sector "could rush in where unprotected (angels) would be unwilling to tread."

Loss of Skilled Negotiators

The next most important problem as perceived by the respondents is the loss of skilled negotiators. Seventy-two percent agreed that skilled Air Force negotiators usually move to other positions, thus causing a loss of valuable talent. The average respondent believes that about 50 percent of the skilled Air Force military negotiators and about 25 percent of skilled Air Force civilian negotiators leave the Air Force to join private contractor organizations.

One reason for the turnover of negotiators may be that "negotiator" is not seen as a permanent position. In this regard, survey participants were asked, "What would be the impact on the effectiveness of Air Force negotiations if "negotiator" was a career position?" Sixty-seven percent of the respondents believed that the impact would be beneficial. Forty-two percent thought that it would have a strong positive effect. Some respondents evidently equated "negotiator" with a career position. However, it should be recalled that a career is defined as a profession for which one trains and which is undertaken as a permanent calling. It may also be defined as a course of continuous progress. Currently, the negotiator position does not have these attributes of a career.

Some of the comments that were offered concerning the concept of negotiator as a career are the following:

The position of contract negotiator or contracting officer does not carry the status or pay commensurate with the responsibility. . . . A career position of "negotiator" with appropriate grade would be positive motivation.

If there was potential for promotion as a "career" negotiator, this move would be greatly effective. However, the mere designation of the position as "career" would do nothing.

It has been my observation that anyone can enter the negotiating field and seldom does anyone ever leave it unless they choose to do so. Consequently, there exists a large group of "negotiators" that have little or no ability to perform this effort. This occasionally results in unqualified people negotiating contracts, but, more often than not, it results in the qualified people doing excessive negotiations which in turn reduces their effectiveness.

Sole Source Acquisitions

Sole source acquisitions are perceived as placing the Air Force negotiator at a disadvantage. Sixty-nine percent of the respondents reported that the extent of this disadvantage is either considerable or great; 13 percent said the extent is moderate; and 9 percent, slight or not at all.

Two observations that were offered regarding the extent to which an Air Force negotiator is at a disadvantage when negotiating in a sole source situation:

Varies--it can be a definite advantage over using a poor general requirement to promote competition when a known source is recognized as the only really viable source.

This depends on how critical the need (for the technology being acquired) is. If need is critical, disadvantage is great, if need becomes an issue. If need is non-critical--disadvantage is slight.

[Extent of disadvantage is] great--if that source knows it.

Sole source contracting and the reasons for it have been discussed for a long time. The opposite case, competitive contracting, has also received much attention. It was recently announced (Robertson, 4/12/82) that Deputy Defense Secretary Frank Carlucci has mandated competition as one of his thirty-two procurement initiatives. In the same article it was also reported that President Reagan signed an Executive Order in March

of this year "stressing competitive bids and attacking sole source awards."

Conformance versus Performance

Seventy-one percent of the negotiators agreed that the Air Force places greater emphasis on adherence to established procedures than on the development of negotiation skills and techniques of its negotiators. Eighteen percent disagreed, and 10 percent neither agreed nor disagreed.

Other Problems

Two other problems that respondents noted are as follows:

Funding Changes

. . . chang(ing) funds and changing schedules as a result.

The constant changes to program budgets and internal changes and/or adjustments to existing program budgets make it extremely difficult to keep to firm contracting and negotiating schedules. This causes lost time which in turn results in more loss of time and effective resources by having to report on these delays, revised projections, new start dates and money expenditure projections to upper-level management.

Workspace Conditions and Equipment

When highly sophisticated proposals, computer generated, are submitted with labor and OH rates prepared for each month, and division of a given corporation, [division] personnel experience difficulty in developing their positions, since they must revert to a simplified version since they have only a desk calculator for an aid.

Too much time spent doing clerical work. . . . The reason for the use of a buyer's time in the administrative area is due to the lack of modern clerical equipment (i.e., typewriters, word-processors, and computer tie-ins). Secondly, there has been little or no training in the use of computer technology.

One of the major problems for the negotiators in [division], in my opinion, is that their offices are so crowded that the negotiator is constantly interrupted. . . . The investment in adequate offices would pay for itself many times over in a few years.

Air Force and Contractor Negotiators: A Comparison

The negotiators who participated in this survey agreed that the personal characteristics of negotiators are important with respect to achieving negotiation objectives. Seventy-one percent indicated that these factors are considerably or very important in this regard.

When asked to respond to the statement "In general, Air Force negotiators have sufficient negotiation skills to bargain effectively," 66 percent agreed, 21 percent disagreed, and 13 percent neither agreed nor disagreed. In a comparison of Air Force and company negotiators concerning specific factors, somewhat different results emerged.

In comparing Air Force negotiators with their counterparts in large companies, respondents agreed strongly regarding several factors. Responses to statements that Air Force negotiators were superior in terms of various characteristics resulted in the following distribution of answers:

	Percentages		
	<u>Agree</u>	<u>Disagree</u>	<u>Neither Agree nor Disagree</u>
Experienced	19	59	22
Business ability	12	50	38
Trained	30	47	22
Negotiating ability	22	39	39
Knowledge of the DAR	70	11	19
Fair	58	8	34
Ethical	61	4	35

This tabulation indicates that, of those respondents who either agreed or disagreed with the comparisons, most perceive negotiators for large companies to be more experienced, better trained and having more business ability and negotiating ability. It also indicates that the respondents perceive Air Force negotiators to have much better knowledge of the DAR and to be much more fair and ethical.

Some comments offered by respondents concerning these factors are as follows:

Practice, and actual help in negotiations, is lacking.

The primary problem with Air Force negotiation is, as with all bureaucracy, an emphasis on conformity to supervisors' expectations.

Negotiation skills are not rewarded. The skills, and the characteristics that enhance those skills, are often considered unimportant as long as the paperwork is "correct."

IV. MANAGERS OF CONTRACT NEGOTIATORS

In total, ninety-three questionnaires were completed by the managers of contract negotiators and processed. Information on the background of the respondents is contained in Appendix A.

Summary

The managers of contract negotiators, like the negotiators themselves, rated the negotiation function highly in terms of its importance in achieving acquisition objectives. Effective negotiations are seen as vital to avoiding unnecessarily high contract prices. On the other hand, progress payments were perceived as a significant concern of contractors during recent contract negotiations.

When asked to identify the major problems, if any, that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives, managers cited a large number of such problems. These were classified into various categories, the most important of which are method, technical, organization-administration-management, personnel, and money. The problem named most frequently is summed up as "time constraints and associated work overload, time-line management, and pressure by program management."

Most of the survey instrument consisted of questions regarding specific issues. The topics that ranked highest as obstacles to the Air Force in achieving negotiation objectives were loss of skilled negotiators, cost-price-profit, contractor perceived risk of losing money, sole source acquisitions, too much dependence on regulations, and the application of high-risk technologies.

In addition, managers were asked to comment on the personal characteristics of negotiators and to compare the qualifications of Air Force negotiators with their counterparts in large companies. In general, managers agreed that the personal characteristics of negotiators are important in achieving negotiation objectives and that Air Force negotiators have sufficient skills to bargain effectively. But their evaluation of specific factors,

such as experience, negotiating ability, and training indicated that the qualifications of Air Force negotiators should be improved if they are to compare favorably with contract negotiators in large companies.

Importance and Role of Negotiations

Managers of negotiators rated the negotiation function highly in terms of its importance to efforts aimed at achieving acquisition objectives. Ninety-one percent rated it considerably important or very important, the top two choices on a scale of one to five. The comparable figure for negotiators was 92 percent.

Many observations on the importance and role of negotiations were offered by the managers of negotiators. Some representative comments follow:

Fair and reasonable prices to the U.S. taxpayer on major weapon system acquisitions are dependent upon the quality of negotiations.

I feel the quality of the contract and performance achieved are closely related to the thoroughness and quality of the negotiation of the SOW, specs, T's + C's + price.

Negotiation involves technical, schedule, cost of the project plus business strategy and compliance with policies and legislation. Too often it is approached from only the cost aspect.

The negotiation function is important from the standpoint that if it is not conducted in an organized and professional manner, none of the objectives will be met.

This is the opportunity to fully understand a contractor's proposals and its ability to meet needs of the acquisition. Also provides a dialogue as to alternative approaches to reach same end product and alleviate redundant pricing + risk.

Negotiations clarify intentions. Since a contract reflects a "meeting of the minds," negotiation is essential in complex systems acquisitions.

Most issues are covered in the proposals and responses to deficiency reports; however, fine tuning details (technical and cost) are generally discussed at the table. . . .

There is no viable alternative.

As in the case of the negotiator group, the survey question that drew the most unanimous response from managers concerned the relationship between contract price and negotiation effectiveness. Ninety percent of the respondents agreed that ineffective negotiations can easily lead to unnecessarily high prices for the goods and services purchased by the Air Force.

In terms of unanimous response, very closely following the question on contract price versus negotiation effectiveness was the question of progress payments. Ninety percent agreed that progress payments were a significant concern of contractors during recent contract negotiations. Seven percent disagreed, and 3 percent neither agreed nor disagreed.

Major Problems Reported by Respondents

In item 2 of the questionnaire, negotiators were asked to identify major obstacles that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives. They were also asked to rank the problems in terms of importance and to identify the specific type of contract, if any, with which the problem is associated. As in the case of the other populations surveyed, responses were numerous. To facilitate analysis and understanding, reported problems were categorized.

Eighty-two problems were listed singly, or ranked number one of two or more problems. Sixty-five problems were ranked number two in importance. The distributions of 147 top-ranked and second-ranked problems are as follows:

<u>Type of Problem</u>	<u>Number of Problems</u>	<u>Percent</u>
Method	52	35
Technical	28	19
Organization, administration, or management	20	13

A total of 248 problems, ranked one through seven, were identified by the contract negotiation management group. The distribution of these problems is as follows:.

<u>Type of Problem</u>	<u>Number of Problems</u>	<u>Percent</u>
Method	76	31
Technical	42	17
Organization, administration, or management	34	14
Personnel	28	11
Money	24	10
(Other)	44	17

A discussion of each of the problem types, including identification of the most important problems within each type, follows.

Method

Problems concerning "method" concern the way in which negotiations take place, the overall approach, and the procedures followed, both written and unwritten. The most frequently mentioned problems in this classification are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Time constraints and associated work overload, time-line management, and pressure by program management	25	33
Changing requirements	17	22
Team preparation including organization	7	9
Sole source acquisitions	7	9
Contract type--inappropriate, etc.	4	5

In reference to the problem of time constraints, managers made the following comments.

We in the Government regard "time" as our enemy rather than our "ally." Consider the pressure to definitize Change Orders.

Unfortunately, we the Gov't place our acquisitions in such a "time critical" position that a contractor can usually stonewall us and wait us out to attain his objective.

Another serious impact on the negotiation is the imposition of time constraints. Contractor negotiation teams have determined that all they need to do is wait. When enough management pressure is brought to bear on the negotiation team to meet the time deadline, the negotiation team is forced to accept something less than the best agreement that could have been obtained.

There is plenty of time [for analyzing cost and pricing data prior to negotiation]--the audit generally takes 60 days--which is excessive when you'd like to get on contract. The basic problem is the audit and tech eval never effectively determine what the (system) should cost.

Some of the comments offered by managers concerning preparation for negotiations follow:

The Air Force does a poor job of planning tactics and strategies for negotiations.

I think it's extremely important to know how to develop a negotiable objective. . . . Tactics and strategy are important to know plus how to control a negotiating team for maximum effect.

The toughest part of negotiating is the internal negotiations required to develop a unified government position. One spends more time trying to answer inane audit comments; taking exceptions to unrealistic technical evaluations; and, defining what the heck we're actually buying that it becomes almost a relief to sit across from the contractor to negotiate. Because it is at that point that 95% of negotiations are complete.

Negotiation function is too limited to price discussions. Too often we end up with a price and then try to define what we bought for the price.

The major problem in the acquisition cycle is not negotiation. Negotiation--comparative to all the other milestones--is the shortest and least cumbersome. An attack should be made on all the prior steps starting with day one of the cycle. HERE IS WHERE THE REAL PROBLEMS ARE ENCOUNTERED!

Technical

The most frequently mentioned technical problems are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Inadequate technical evaluations and support or inexperienced technical personnel	22	52
Poorly defined government requirements	12	29

Organization, Administration, and Management

The most frequently mentioned problems related to organization, administration, or management were the following:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Restrictive regulations	7	21
Diluted authority of contracting officer/negotiator	2	6
Diluted/inadequate support during negotiations	2	6
"Back-door" negotiations by personnel not officially involved in face-to-face negotiations	2	6
Excessive interference by higher management	2	6
Political interference on both sides	2	6
Changing, conflicting "initiatives"	2	6

Regarding the top-ranked problem of regulations, the following comments were offered:

It is getting more difficult to be responsive to program requirements as rules and regulations are continually added to the acquisition process and less personnel are available to do the work. . . .

Archaic standards are still being used to evaluate Change Orders/Letter Contracts--resulting in a tremendous waste of resources and allowing contractors to take advantage of overage conditions. . . .

Unfortunately, the ever-increasing administrative requirements, approvals, and the red tape takes so much of the time and energies of the negotiators that the negotiation and its resulting price are often given too little time and effort.

Regarding the problem of negotiation authority, the following comment was offered:

One of the primary problems with the negotiation function is the diffusion of PCO authority and lack of delegation of approval to the buying divisions. The result is decisions are based on what "sells" to the staff agencies, not on what is the best business decision. Since we go through three levels of review (director, deputation, command), "selling" an objective or strategy becomes almost impossible.

The problems listed in second, third, and fourth position above were also designated as the leading problems in this category by the negotiator group. One comment on the problem of negotiation support was that negotiations are "often affected by the quality of the support systems, i.e., technical, audit and price analysis--caused by large increase of inexperienced military and civilian personnel."

One comment on the problems of so-called "back-door" negotiation and intervention by higher management is as follows:

There has been a significant lowering of the effectiveness of the negotiation process through intervention of higher levels of management and staff support functions. Contractor "feather merchants" or marketeers talk with higher levels of management and get gentlemen's agreements that are then interposed on the negotiation. Most of the time the information made available for these agreements is either only partially true or completely false. Therefore, the agreements themselves are not to the Government's best interest.

Personnel

The most frequently mentioned problems in the personnel category include the following:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Lack of training in negotiation techniques; inexperienced negotiator	13	46
Unqualified personnel contributing to decision-making	5	18
Inflexibility of Air Force personnel	2	7
Inadequate understanding of contractors' proposals	2	7
Insufficient business knowledge/experience, e.g., contractor accounting and control procedures	2	7

Some observations made by managers of the negotiation function concerning the training, knowledge, and experience of negotiators follow:

In relation to the importance of negotiation there is a paucity of training available.

Buyers must thoroughly prepare a position and be ready to explain and defend it in order to achieve AF objectives. Negotiation is an art, and all trainees should spend at least one year in pricing and negotiation positions.

The lack of trained Buyers (contract negotiators) and Procurement Clerks has the greatest negative impact on our mission.

I firmly believe that the Gov't does not adequately train its negotiators prior to their first negotiation. For the most part it is on the job training which is a costly exercise. Formal training is usually provided long after the individual has been conducting negotiations or at the supervisory position!

To perform effectively, a contract negotiator must be at least of similar cultural, social, training,

and experience level as their industry counterparts. Problems exist in the recruitment, selection, training, and promotion of the best personnel to perform.

I believe that negotiations are useful only when the government team is thoroughly prepared and has specific objectives in mind, with a strategy for attaining them (this is not necessarily the same as tactics). In my experience, the problem originates not with a faulty RFP, but with government personnel who do not possess adequate knowledge or experience in evaluating contractor proposals (includes technical, cost, management, etc.). This results in evaluations which are either negligent, incorrect, or biased. Often it results in recommendations which are useless because of the evaluator's lack of understanding. (This may include large exceptions taken, or no exceptions taken when there should be.)

Working-level supervisors and senior negotiators are not afforded maximum opportunities to attend contracting related seminars (sponsored by the Gov't/AIAA/TSMA/etc.). The contractor's negotiators attend these seminars extensively (and at Gov't allowable expense) and then use the latest Washington philosophy (set forth by responsible Gov't personnel regarding such things as higher profit, higher and flexible progress payments, new trends, etc.), against Gov't negotiators. This certainly impacts and delays negotiations.

Money

The most frequently mentioned major problems concerning money are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Validity of government estimates--labor, material, etc.	6	25
Limited or insufficient funds	5	21
Profit rates	4	17
Funding uncertainty	4	17

These problems are the same as those identified by the negotiator group, and the rank ordering is virtually the same for both groups. Regarding government estimates and analyses, one manager commented, "We receive adequate cost analysis--price analysis is lacking."

Other Problems

Other major problems that were mentioned three or more times are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Problem Type</u>
Setting unobtainable objectives	6	Objectives and Strategy
Unreasonable sole source contractors	4	Contractor
Inadequate assistance from DCAA/DCASMA	4	Audits and Field Reports
Validity of audit recommendations	4	Audits and Field Reports
Use of government contracts to implement social legislation	3	Objectives and Strategy

Major Problems Indicated by Answers to Specific Questions

Most of the questionnaire was devoted to specific questions concerning contract negotiations. The following paragraphs identify the most important issues in need of attention or improvement based on an analysis of the responses.

Loss of Skilled Negotiators

The most important problem listed in the questionnaire was perceived by this management group to be the loss of skilled negotiators. Eighty percent agreed that skilled Air Force negotiators usually move to other positions, resulting in a loss of valuable talent. Ten percent disagreed, and 10 percent neither agreed nor disagreed.

Various comments provided by the respondents suggest that an important reason why skilled negotiators move to other positions, including similar positions with contractor organizations, is a lack of opportunity for progression within the contract negotiator specialty. In response to the question "What would be the impact on the effectiveness of Air Force negotiations if "negotiator" was a career position?" 41 percent of the managers said that there would be a strong positive effect. Thirty-six percent felt there would be a slight positive effect. Some respondents indicated that "negotiator" currently is a career position. However, as was pointed out earlier, a career is commonly defined as a profession for which one trains and which is undertaken as a permanent and continuous calling.

Some comments that were offered concerning the related question of the loss of skilled negotiators and the establishment of "negotiator" as a career area are as follows:

Due to the nature of the system, once a negotiator becomes experienced, he must look for a promotion to a staff or contracting officer position, assuming he remains in contracting. This leaves the experience base of negotiators relatively low since few individuals are willing to remain as a GS-12 for an extended period. I believe this is one of the most critical problem areas in the acquisition community.

The negotiation function suffers in that not enough status and career progression has been given to it as a career field. More recognition in the form of high grade positions and increased responsibilities in the contracting process would enhance the effectiveness.

It is imperative that the contracting field be recognized as a "profession" with strict training and recruiting requirements. It is sometimes relegated to an administrative field. The importance and dollar value of the responsibility must not be downgraded or our tax dollars will be in jeopardy.

[Major Problems]--Lack of contract negotiation positions beyond the journeyman level force successful negotiators into management/supervisory positions - (no dual ladder opportunities). . . . Lack of stability in militarily dominated management functions.

Failure to keep the pipeline filled with adequately trained and experienced personnel while facing the retirement of our already aging contracting workforce has created the lowest experience level work force in my 30 year career in contracting and its impact has effected all facets of the contracting discipline.

Military personnel are constantly being transferred, resulting in very limited technical capability during administration and negotiation of contracts.

Cost, Price, and Profit

Cost or price followed very closely the personnel situation as major problems in the contract negotiation area. They were perceived to be the issue most subject to disagreement between Air Force and contractor teams from a list of approximately a dozen items that are discussed during contract negotiations. The extent of this disagreement was perceived as considerable or great by 76 percent of the managers.

Further, 69 percent of the managers believed that the government should focus on price, not profit. Opinions were divided somewhat as to where government negotiators actually place their emphasis. Fifty-four percent agreed

that government negotiators are more concerned with profit and fee rates than final price; 38 percent disagreed, and 9 percent neither agreed nor disagreed. The extent to which profit or fee were a problem during recent Air Force negotiations was perceived to be considerable or great by 66 percent of the managers.

Most of the contract management group agreed that the perceived risk of losing money affects a contractor's negotiation objectives and strategy. Seventy-three percent believed that this risk affects contractors' negotiation objectives to a considerable or great extent. Similarly, 70 percent believed that the perceived risk of losing money affects contractors' negotiation strategies to a considerable or great extent. Obviously, Air Force contract negotiators can experience more difficulty in attempting to attain their objectives if contractors try to hedge the perceived risk of losing money on a proposed contract.

Sole Source Acquisitions

Sole source acquisitions were seen as placing Air Force negotiators at a disadvantage. Seventy-two percent of the managers reported that the extent of this disadvantage is either considerable or great. Fourteen percent said that the extent of the disadvantage is moderate, and 14 percent considered it slight or nonexistent.

Conformance versus Performance

Managers rated what is termed the conformance-versus-performance problem at approximately the same level of importance as the impact of sole source acquisitions. Seventy-three percent of the respondents agreed that the Air Force places greater emphasis on adherence to established procedures than on the development of negotiation skills and techniques of its negotiators. Only 15 percent disagreed, and 12 percent neither agreed nor disagreed.

Uncertain Technology

Uncertain technology ranked next on the list of major problems in the contract negotiation field. The management group believed that, when the required technology is uncertain, it is more difficult for Air Force negotiators

to reach their negotiation objectives to the following extents: moderate, 40 percent; considerable, 34 percent; great, 21 percent. This problem is related logically to the issue of contractor perceived risk.

Air Force and Contractor Negotiators: A Comparison

The managers who participated in this survey concurred that personal characteristics of negotiators are important with respect to achieving negotiation objectives. Seventy-nine percent indicated that these factors are considerably or very important in this regard.

When asked to respond to the statement "In general, Air Force negotiators have sufficient negotiation skills to bargain effectively," 71 percent agreed, 17 percent disagreed, and 12 percent neither agreed nor disagreed. When the managers were asked to compare Air Force and company negotiators concerning specific factors, somewhat different results emerged.

In comparing Air Force negotiators with their counterparts in large companies, the contract management group agreed strongly regarding several factors. Responses to statements that Air Force negotiators were superior in terms of various characteristics resulted in the following distribution of answers:

	Percentages		
	<u>Agree</u>	<u>Disagree</u>	<u>Neither Agree nor Disagree</u>
Experienced	23	55	23
Negotiating ability	20	46	33
Trained	33	46	22
Business ability	14	41	45
Knowledge of the DAR	70	10	20
Fair	70	2	28
Ethical	69	0	31

These results indicate that, of those managers who hold a definite opinion, most perceive negotiators for large companies to have more experience, negotiating ability, training, and business ability than their Air Force counterparts. It also indicates that the respondents believe that Air Force negotiators have a better knowledge of the DAR and are more fair and ethical.

Other survey findings concerning the ability, training, and experience of Air Force negotiators are discussed under the heading of "Personnel" beginning on page 31.

V. SYSTEM PROGRAM OFFICE (SPO) PERSONNEL

This section of the report discusses the results of an analysis of the questionnaires that were completed by SPO personnel. In total, 126 questionnaires were completed and processed. Information on the background of the respondents is contained in Appendix A.

Summary

SPO personnel rated the negotiation function highly, though not as highly as the other two groups of respondents, in terms of its importance among the tasks necessary to achieve acquisition objectives. Effective negotiations were seen as vital to avoiding unnecessarily high contract prices and unsatisfactory end products. On the other hand, progress payments were perceived as a significant concern of contractors during recent contract negotiations.

SPO personnel cited numerous major problems that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives. These were classified into various categories to facilitate analysis and understanding. The most important categories are method, money, technical, and organization-administration-management. The problem named most frequently is summed up as "time constraints, associated work overload, and time-line management."

Most of the survey instrument consisted of questions regarding specific issues, with the topics ranking highest as obstacles to the Air Force in achieving negotiation objectives as follows: loss of skilled negotiators, fewer bidders due to low profits, contractor perceived risk of losing money, cost-price-profit, sole source acquisitions, contract management office manpower levels, and inadequate RFPs.

In addition, managers were asked to comment on the personal characteristics of negotiators and to compare the qualifications of Air Force negotiators with their counterparts in large companies. In general, SPO personnel agreed that the personal characteristics of negotiators are important in achieving negotiation objectives.

However, their evaluation of specific factors, such as experience, negotiating ability, and training indicated that the qualifications of Air Force negotiators should be improved if they are to compare favorably with contract negotiators in large companies.

Importance and Role of Negotiations

Eighty percent of the SPO personnel rated the contract negotiation function considerably important or very important in achieving acquisition objectives. This figure compares with 91 to 92 percent for the contract negotiator and contract negotiator management groups.

Many comments were offered by SPO personnel concerning the importance of the negotiation function. Some representative comments follow:

In the final analysis, it's what the negotiator negotiates, not what was in the original PR that goes on contract. This is true of requirements or terms as well as price.

The negotiation is the one place where discrepancies in complying with the SOW can be resolved. Prompt, open-minded negotiations make both parties happier.

It is important to the long-term health of the development and acquisition process to negotiate fair and equitable contracts.

The relative importance depends on the type of negotiation.

This function establishes that each party mutually agrees and understands the potential contract, i.e. scope, product, review/monitoring process, tasking, cost and schedule. Further negotiations climatize the relationship in terms of business attitude between government and prospective contractor. A negotiation process that does not assure a clear "meeting of the minds" will result in eventual contract discord in which the project/program will suffer technically, financially or both.

Most of our contracts are fixed price incentive fee. Therefore negotiations are very important.

A poorly negotiated contract, to include the SOW and CDRL, opens up the document to interpretation later and the government never recovers.

It sets the tone for how the program will be monitored. It gives the program manager insight to the possible problem areas he/she will have to closely monitor.

Negotiations are the heart of the AF's program requirements. In negotiations requirements are more fully explored than at any other point in a program's life. Often negotiations result in changing program requirements (favorably or adversely) without being very carefully analyzed. The future of a program is very much dictated by the negotiation process.

A very important tool for hardware development and competitive type contracts. However, it tends to hinder level-of-effort study contracts.

Ineffective negotiations lead to costs that are excessive and end item results that are short of meeting the requirements.

Negotiation is crucial--it forms the long term framework of programs. A sharp and experienced negotiator and chief of contracts can make a program.

Outside of selecting the right contractor, negotiations are next major function whereby the government is able to save budget dollars. An effective negotiation team pays for itself [many] times over.

As was the case with the other two groups, the survey question that drew the most frequent response concerned the relationship between contract price and negotiation effectiveness. Ninety-five percent of the respondents agreed that ineffective negotiations can easily lead to unnecessarily high prices for the goods and services purchased by the Air Force.

The subject of progress payments was second in terms of unanimous response. Seventy-one percent agreed that progress payments are a significant concern of contractors in current negotiations. Nine percent disagreed, and 20 percent neither agreed nor disagreed.

More than half of the respondents perceived a strong relationship between end products and negotiations. Sixty-three percent agreed that ineffective negotiations

can easily result in the acquisition of products that do not meet Air Force requirements. Twenty-three percent disagreed, and 14 percent neither agreed nor disagreed.

Major Problems Reported by Respondents

In item 2 of the questionnaire, respondents were asked to identify major obstacles that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives, as well as to identify the specific type of contract, if any, with which the problem is associated. Responses were numerous and were categorized under various headings to facilitate analysis and understanding.

Ninety-nine problems were listed singly, or ranked number one of two or more problems. Sixty-one problems were ranked number two in importance. The most frequently identified problem types that result when the first- and second-ranked problems were combined are as follows:

<u>Type of Problem</u>	<u>Number of Problems</u>	<u>Percent</u>
Method	37	23
Personnel	34	21
Technical	24	15
Organization, administration, or management	23	14

A total of 218 problems, ranked one through seven, were identified by SPO personnel. The distribution of these problems is as follows:

<u>Type of Problem</u>	<u>Number of Problems</u>	<u>Percent</u>
Method	51	23
Personnel	44	20
Organization, administration, or management	37	17
Money	29	13
Technical	25	11
(Other)	32	15

Method

Problems concerning method deal with the way in which negotiations take place, the overall approach, and the procedures, written and unwritten, that are followed. The most frequently mentioned problems in this classification are as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Time constraints, associated work overload, and time-line management	15	29
Team preparation including organization	4	8
Sole source acquisitions	4	8
Contractors' knowledge of budget ceilings	3	6
Use of firm fixed price contracts in research and development programs	2	4
Lack of qualified, interested firms (initial and follow-on procurements)	2	4

One comment offered concerning the alleged time problem is the following:

Especially on high dollar contracts--a dedicated procurement/technical team with outside staff and field support must allocate sufficient time to review in depth technical and cost data--Deadlines for expediency kill negotiations.

The subsequent comments were submitted regarding preparations for negotiations.

The AF negotiators usually have limited knowledge of the technical portion of the RFP, typically due to insufficient time on the program.

It is imperative that contract negotiators identify with the goals of the project. The negotiating team must have meetings planning strategy and coordinating on developments. Negotiators must have some technical understanding and be able to delegate some phases of the negotiations. Specific negotiating skills are needed not by the negotiator but by the whole team. Understanding of financial matters by all is important.

One comment on sole source acquisitions was as follows:

A significant disadvantage is placed on our contracting personnel as a result of sole source procurement. I believe more competition is required in the acquisition field.

Comments concerning a defensive approach to contract negotiations include these:

The greatest concern of the procurement staff appears to be the avoidance of contractor protests at the apparent expense of all other considerations. This concern about possible protests unnecessarily limits technical exchanges between government and industry that could result in better proposals, and probably limits the government's effectiveness in negotiations and contract administration. I believe it is a much more serious problem than we recognize.

Procurement specialists do not appear to be concerned with fielding equipment in a timely fashion but are overly concerned with protecting themselves from any future blame for "not dotting the i's and crossing the t's." In addition, I feel they are obsessed with

"nickel and diming" the contract to death. As a result, expeditious negotiations at [division] are a figment of someone's imagination. For example, one negotiation for an FFP contract (\$2-3M) took in excess of four months to award!!

Personnel

Following are the most frequently named problems in the personnel category:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Lack of training in negotiation techniques; inexperienced negotiator	22	50
Inadequate knowledge concerning item/program being negotiated	4	9
Lack of awareness of contractor's problems, risks, objectives, strategies, motivations, and business environment		
Inexperience of Air Force team	4	9

It should be noted that the managers of negotiators also ranked "lack of training in negotiation techniques; inexperienced negotiator" as the number-one problem in this category. See also "shortage of qualified personnel" under the following category and the comparison of Air Force and company negotiators at the end of this discussion of SPO personnel perceptions.

Some of the comments concerning the need to provide training to Air Force negotiators were as follows:

The negotiating function is very important. It must be performed by someone trained to negotiate.

It seems to me that negotiators do not have the technical knowledge to assess what they are buying and its purpose. As a result, they must concentrate on profits which are (established) by the DAR.

. . . There should be . . . more comprehensive training and skill development for government personnel in negotiations field.

The following comments were submitted regarding training for members of the negotiation team other than contract negotiators:

. . . Technical support personnel, including R&D engineers, should be afforded additional opportunities for specialized training in negotiations area. . . .

. . . Effective training for all SPO people participating in contractor/SPO interactions (including PCOs and Buyers) appears to be nonexistent.

It is strongly recommended that technical personnel be included in the Gov't negotiation team at all times. These personnel, however, should be given training in negotiation procedures, requirements, etc. It would also be very advantageous on major negotiations to have a negotiator with technical experience (this could be the buyer or PCO).

Technical and support personnel need formal training in negotiations and the legal aspects of contractual relationships. There is often a misunderstanding of the negotiator's objectives on the part of the technical people. Technical people need to improve their ability to judge scope of work outlined in contractor's proposal.

Engineers supporting negotiations are rarely experienced with strategy. A quick course would help to acquaint them in how to act, offer information, and rebuff contractor's assertions.

Engineering/technical logistics and other personnel who are frequently called into negotiations also require training in basic negotiating strategies and skills.

The following observations were made regarding a lack of understanding of the contractor's thinking:

Negotiations are critical to the success of a project, but we are almost always at a disadvantage in terms of understanding the contractors' motivations and objectives.

Major problem concerning negotiation--most Government personnel have little knowledge of what it takes for a private contractor to put together a development/production program. Government cost estimates are inevitably too low and schedules are many times optimistic. Because of inflation, it is hard for Government to place a value judgment on a proposed price. Invariably, the price is deemed too high and the Government forces the contractor during negotiations to lower it. This results in cost overruns and schedule slips during the life of the program due to insufficient funding.

Organization, Administration, or Management

The most frequently named problems concerning organization, administration, or management were as follows:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Shortage of qualified personnel	10	27
Restrictive regulations	8	22
Diluted authority of contracting officer/negotiator	5	14
Diluted or inadequate support effort during negotiations	4	11
Lack of a unified team effort	3	8

Concerning the organization, administration, and management of contract negotiations and related topics, one respondent offered the following observations:

AF should have dedicated PCO's supporting only one SPO (they don't have time to know the contract).

Formal contract language is a major barrier to understanding what you want to buy and what they want to sell.

DAR's are too complex--if translated to plain language the "required" provisions and the "elective" provisions could be better understood.

Most contracts consistently have the same problems--we don't learn from our mistakes.

Negotiation problems are a symptom of actual problem--management of acquisitions has become unnecessarily complicated.

Another member of a SPO commented:

The contracts personnel efforts are usually fragmented between your acquisition and others, creating problems in negotiation schedules and effectiveness.

Money

The most frequently mentioned major problems concerning money were these:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Validity of government estimates--labor, material, etc.	7	24
Profit rates	5	17
Limited funds	5	17
Funding inflexibility from year to year	3	10
Agreeing on a cost,	2	7

Technical

Problems that were named most frequently under the technical category follow:

<u>Problem</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Inadequate technical evaluations and support	9	36
Poorly defined government requirements, including Statement of Work and specifications	6	24

See also the comments quoted under "Personnel."

Major Problems Indicated by Answers to Specific Questions

Most of the questionnaire was devoted to specific questions concerning contract negotiations. The following paragraphs identify the most important factors in need of attention or improvement based on an analysis of the responses.

Loss of Skilled Negotiators

As in the case of the managers of negotiators, SPO personnel considered the loss of skilled negotiators to be the most important problem mentioned in the questionnaire. Sixty-seven percent agreed skilled negotiators usually move to other positions, thus causing a loss of valuable talent. Six percent disagreed, and 28 percent neither agreed nor disagreed. The average respondent believed that about 50 percent of the skilled negotiators and about 25 percent of the skilled civilian negotiators leave the Air Force to join private contractor organizations.

Low Profits Lead to Fewer Bidders

The next most important problem perceived by SPO personnel is the impact of low profits on the number of defense firms. Sixty-two percent agreed with the statement that low profits and fees in the defense industry tend to drive out firms with other alternatives. Fifteen percent disagreed, and 13 percent neither agreed nor disagreed.

An additional note on the impact of low profits is that 57 percent of the respondents agreed that the government's emphasis on specific fee and profit levels makes contractors unwilling to invest in labor-saving equipment. Seventeen percent disagreed, and 26 percent neither agreed nor disagreed with this conclusion.

A situation in which the number of bidders is decreasing increases the possibility of more sole source acquisitions. These acquisitions are discussed on page 52.

Conformance versus Performance

SPO personnel rated what is termed "conformance versus performance" as the next most important major problem. Sixty-six percent agreed that greater emphasis is placed on adherence to established negotiation procedures than on the development of the skills and techniques of negotiator's. Thirteen percent disagreed, and 12 percent neither agreed nor disagreed.

Contractor Risk

Most SPO personnel agreed that the perceived risk of losing money affects a contractor's negotiation objectives and strategy. Seventy-two percent believed that this perceived risk affects a contractor's negotiation strategy to a considerable or great extent. Similarly, 64 percent believed that such a perception affects a contractor's negotiation objectives to a considerable or great extent. Contract negotiations can become more difficult for the Air Force negotiator to the extent that contractors attempt to hedge perceived risk by bargaining for higher prices, longer delivery schedules, and/or less demanding specifications.

One comment on the impact of technical approach, technical risk and a lack of technical expertise is as follows:

In system acquisition technical approach and technical risk eventually determine final cost at end of program. Lack of experience of technical personnel, lack of in-depth understanding of technical problems, optimism driven by competition, result in poor technical leveling. As a result only price flexible. Technical requirements remain fixed because if the contractor recommends change, he is non-responsive. If the Government recommends change it has to be negotiated with all offerors. Result, fix it later with ECP's, TCP's usually at increased cost.

Cost, Price, and Profit.

Closely related to the subject of contractor risk are the topics of cost, price, and profit. From a list of approximately a dozen items discussed during contract negotiations, those that were perceived to be most subject to disagreement between Air Force and contractor teams were cost or price. The extent of disagreement was seen as considerable or great by 63 percent of the respondents.

Sixty-nine percent of the SPO personnel believed that the government should focus on price rather than profit or fee percentages. Opinions were divided, however, as to where government negotiators actually place their emphasis. Forty percent agreed that government negotiators are more concerned with profit and fee rates than final prices; 34 percent disagreed; and 26 percent neither agreed nor disagreed.

Sole Source Acquisitions

Sole source acquisitions are perceived as placing the Air Force negotiator at a disadvantage. Sixty percent of respondents reported that the extent of this disadvantage is either considerable or great; 23 percent said the extent is moderate; and 17 percent, slight or not at all.

One SPO member commented that "significant disadvantage is placed on our contracting personnel as a result of sole source procurement. . . ."

Contract Management Office Manpower Level

Respondents expressed the belief that their principal contract management offices were frequently undermanned. Fifty-one indicated a belief that these offices were undermanned more than half the time. Twenty-six percent believed that undermanning occurs half the time; 18 percent, that undermanning occurs occasionally; and 5 percent, rarely.

Inadequate Requests for Proposals (RFPs)

SPO personnel noted that poorly written RFPs were a problem during negotiations. The extent to which these RFPs are seen to be a problem was as follows: great, 17 percent; considerable, 40 percent; moderate, 28 percent; slight, 14 percent; and not at all, 1 percent.

Air Force and Contractor Negotiators: A Comparison

The SPO personnel participating in this survey agreed that the personal characteristics of negotiators are important in respect to achieving negotiation objectives. Eighty-three percent indicated that these factors are considerably or very important in this regard.

When asked to respond to the statement "In general, Air Force negotiators have sufficient negotiation skills to bargain effectively," 54 percent agreed, 32 percent disagreed, and 12 percent neither agreed nor disagreed.

In comparing Air Force negotiators with their counterparts in large companies, SPO personnel agreed strongly regarding several factors. Responses to statements that Air Force negotiators were superior in terms of various characteristics resulted in the following distribution of answers:

	<u>Percentages</u>		
	<u>Agree</u>	<u>Disagree</u>	<u>Neither Agree nor Disagree</u>
Experienced	7	82	12
Negotiating ability	7	66	27
Trained	7	60	33
Business ability	11	57	32
Ethical	64	3	33
Fair	61	1	37
Knowledge of the DAR	55	13	32

These results indicate that of the SPO personnel who held a definite opinion most perceived Air Force negotiators to be less experienced and to have less negotiating ability, training, and business ability than their counterparts in large companies. This comparative opinion was especially strong in the case of experience: only 12 percent held no opinion as compared to approximately 30 percent for the other factors listed, and only 7 percent thought Air Force negotiators were more experienced. The above figures also indicate that the respondents believed that Air Force negotiators have a superior knowledge of the DAR and are more fair and ethical.

One comment that was made by a member of a SPO in reference to the experience level of contracting officers was this:

In general the experience level at [division] appears to be decreasing thereby affecting the entire spectrum of contract activities.

Two additional comments made regarding negotiating teams and individual negotiators were as follows:

Need continuity and experience in our negotiation teams.

The monetary reward for skilled negotiators are significantly higher with civilian contractors. There should be (1) more recognition (2) enhanced career opportunities (3) more comprehensive training and skills development for government personnel in negotiations field. . . .

VI. THE NUANCES OF NEGOTIATING OVERSEAS

Introduction

Both during the preparation for and the conducting of face-to-face negotiations, it is necessary to communicate with one's opposite. Prosser (1978) writes, "whenever we communicate, we rely entirely on our cultural background. We tend to be more successful interculturally when we understand and appreciate the special character of members of other cultural groups and other cultures as a whole". Clearly, cultural differences affect communications and, in turn, the process of negotiating.

As observed in the opening of this report, it is likely that the U.S. Air Force and its major suppliers will be entering into an increased number of negotiations with representatives of governments and manufacturers in the principle NATO countries. These negotiations will most likely result in contractual obligations in billions of dollars. The U.S. negotiator will perform more effectively in such negotiations if he understands the cultural and business heritage of his opposite and the effect of this heritage on his opposite's negotiation strategies and tactics.

Methodology

Questions focusing on negotiations with European nationals are contained in the survey instrument found in Appendix F. The four NATO countries of the United Kingdom, the Federal Republic of Germany, the Netherlands, and France were selected for intensive study. The relevant available literature on the cultural and business heritage of these countries (see Bibliography) was reviewed to identify the effect of this heritage on negotiation strategies and tactics.

Interviews were conducted with Americans who have had recent experience negotiating with nationals of one or more of the four countries. These interviews were undertaken with two objectives in mind: (1) to obtain further information about the business and cultural heritage of these

four countries and the effects of this heritage on negotiation methods and outcomes and (2) to verify the practicality of such field interviews as a viable means of gaining relevant useful data. Due to budgetary limitations, only a limited number of interviews were possible, but these were adequate to provide useful data and to confirm the interview approach. The industries represented in these interviews include defense, communications, food processing, construction, and airlines.

Organization

The next section is an examination of the literature and interview findings dealing with cross-cultural negotiations as well as an in-depth view of the role of culture and negotiations with Europeans in general. Cultural nuances and their effect on negotiations on a country-by-country basis are then examined. The final section contains suggestions concerning actions to be taken by U.S. negotiators preparing for face-to-face negotiations with Europeans.

Cross-Cultural Negotiations

Intercultural Communication

Intercultural communication "occurs whenever a message sender is a member of one culture and a message receiver is of another. We may find intercultural communication difficult. Even if we overcome the natural barriers of language difference, we may fail to understand and to be understood. Misunderstanding may even become the rule rather than the exception. This, of course, is bothersome. And, if we are unaware of the significant role culture plays in communication, we may place the blame for communication failure on those 'other people.' This is unfortunate because our problem is really culture and the difficulty of communicating across cultural boundaries" (Samovar and Porter, 1972).

National character (culture) has an effect on the process of negotiation. "As a result of their distinct historical development, nations come to acquire what may be regarded as 'national character . . . relatively enduring

personality characteristics and patterns that are modal among the adult members of the society'" (Inkeles and Levinson, 1954, p. 983). National character is related to many other aspects of a society's general sociocultural system, from child-rearing practices to the type of political system it supports, and consequently influences the types of goals and processes the society pursues in negotiation (Harnet and Cummings, 1980, p. 501). Further, culture has an effect on the communications, both words and meaning, involved in the negotiating process.

We obviously are aware that there are language differences between cultural groups. But many of us naively believe that a competent interpreter is all that is necessary for people of different cultures to communicate. This notion fails to acknowledge the relationship between culture and language. To a very great extent our language is a product of our culture. At the same time, our culture is very much a product of our language. Culture and language are inseparably intertwined. What we think about and how we think about it are direct functions of our language; and what we think about and how we think about it in part determine the nature of our culture (Samovar and Porter, 1972, p. 13).

It thus appears that the use of interpreters, while allowing communication to take place, does not obviate the need for an understanding of the non-American's culture.

From the non-American's point of view,

we are perceived to be too aggressive/pushy. We must recognize the use of subtle expression by others which leaves room for subsequent negotiation. There is advantage to ambiguity. We must develop skill at interpreting these subtleties. The U.S. approach to negotiations tends to bring lawyers in at an early stage before a general agreement on a manner of proceeding is reached: this tends to "formalize" proceedings beyond what is necessary and perhaps reflects an "over-cautiousness" on the U.S. part; some foreign governments on the other hand, prefer to wait until general agreement has been reached before bringing legal experts into the negotiation; this approach leaves room for maneuvering (Kapoor, 1973, p. 69).

With this brief view of intercultural communications, let us direct our attention to some general observations on negotiating with Europeans.

Negotiations with Europeans

The interviewee with the most experience in negotiating with Europeans emphasized the importance of our being sensitive to our European counterpart's culture when he said, "When we understand their cultural background, we put them off their guard. They expect us to be clumsy and only able to do business the American way. We gain a definite advantage in being able to understand where they are coming from."

Commander Daniel Allen, Jr., who conducted research on this subject while a student at the Naval Postgraduate School, found that "almost every American contract negotiator contacted in conjunction with [his] research stated that negotiating with foreign firms or foreign government agencies was quite different from domestic negotiations" (Allen, 1979, p. 34).

The unique characteristic of international versus domestic business negotiations is that international negotiations are influenced by a wide variety of environments which determine the selection of appropriate tactics and strategies of negotiations to be adopted. Specific groups in different environments have their own concept of what is "right," "reasonable," or "appropriate" in negotiations; each group also has its own expectations of the likely response of an opposing group to an issue, event, or mood determined by its "self-reference criterion"--that is, the unconscious reference to one's own cultural values. Effective negotiation requires an understanding of the social, cultural, political, and economic systems as well as an expertise in technical, financial, accounting, and legal analysis (Fayerweather and Kapoor, 1976, p. 31).

Allen found that "because of national differences in culture, business philosophy, and governmental relationships with private industry, negotiations between individuals from different nations tend to be more complex than negotiations (for a similar product) between two individuals from the same country" (Allen, 1979, p. 11). Several of the interviewees pointed out the American heritage of team sports appears to result in what can best be described as good team players. This is not the case in Europe. The Europeans tend not to be as well prepared nor as coordinated as their American counterparts. The teamwork and team play commonly present on the American side was usually absent on the European side.

Preparation. Virtually all of the Americans interviewed in conjunction with this research emphasized the need for extensive preparation for the face-to-face aspect of the negotiation. This includes the traditional ones of (1) learning the technical attributes of the commodity or service being purchased or sold, (2) conducting price and cost analysis, (3) identifying strengths and weaknesses of the buyer's or seller's position, (4) gaining an understanding of the other party and his needs, and (5) a self-analysis of what makes the U.S. negotiator "tick"--his sense of values, his philosophy of life, his personal objectives, and his specific personal objectives for this negotiation. Additionally, when dealing with people from other cultures, the interviewees stressed the need for extensive study of the cultures, not just the languages, represented.

A second aspect to the "cultural" preparations frequently occurred when there was a strong likelihood of continuing relations, i.e., one or more transactions which would require more than a year for completion. Under such conditions, the Europeans, accompanied by their wives, normally would visit the United States firm. The American hosts went to considerable lengths to become acquainted with their European counterparts and their wives on a social basis, resulting in a bank of goodwill which frequently proved to be invaluable during subsequent transactions.

A third aspect of preparation was described by several interviewees. In effect, they said, "Find out who your opposite is . . . what his job title is, who his family is, what his education is, his income, and what makes him tick."

Negotiation time. In virtually all cases, it takes longer to negotiate with Europeans than with Americans, especially if the foreign firm has not had extensive exposure to U.S. business practices and specifications (Allen, 1978, p. 28).

Pricing. "The European concept of a fair and reasonable price is tied directly to the marketplace, however imperfect it may be. "Whatever the market will bear" is often the sole basis for a European firm's pricing policy" (Allen, 1979, p. 24). The majority of persons interviewed found the Europeans to be woefully prepared to support their price proposals. Understanding this tendency should cause the American negotiator to (1) conduct detailed and realistic cost analysis before

entering negotiations and (2) be prepared to deal with an opposite who well may not, and probably does not, know his own true costs.

Many European firms have cash flow problems. Frequently it may be possible to gain a significant price concession if advance and/or progress payments are incorporated in the resulting agreement. However, this approach must not be treated in isolation. European financing rates may be considerably below American ones. Thus, it may be less costly to have the European supplier assign his contract payments to a local financial institution in order to obtain 8 to 10 percent money.

Exchange rates. In 1973 the Comptroller General recommended that DOD price its contracts with foreign suppliers in the appropriate foreign currency (U.S. General Accounting Office, 1973). Several approaches to the exchange issue were employed by the firms represented in this study. Some followed the procedure advocated by the Comptroller General. Others followed the diametrically opposite approach of pricing all contracts in U.S. dollars. Others followed a flexible approach: their corporate comptroller would assemble present and projected economic data and forecasts and then would provide guidance to the negotiator on the currency issue.

Based on a review of the various approaches employed, the problems encountered, and the thoughts of the negotiators interviewed, it is recommended that the negotiator be given guidance from his comptroller on the likely costs or advantages of using a particular currency. Then the negotiator should be free to negotiate the exchange rate as he would any other term or condition.

Tactics. We now will look at several tactical issues. Coffin found that frequent caucuses are helpful during negotiations with foreigners since the caucuses "help to relieve the tensions introduced with different cultural and business practices" (Coffin, 1973, p. 30).

Allen found that the winner of a negotiation in some countries was the one who gained the most concessions, regardless of the value of the concessions. When a negotiator treats all concessions as of equal importance, his opposite should insure that many issues are introduced and should take care in properly sequencing them (Allen, 1979, p. 29).

Most of the interviewees indicated that they found it more productive to use a package approach to negotiations

than a sequential one. Under the package approach, each issue would be addressed in turn. If agreement were possible, it would be so noted. If agreement were not possible, the issue would be deferred and finally included as part of a package proposal. One negotiator had had good success with what he called the "bucket approach." He would refer to his package proposal as a bucket, pointing out that if something were to be added, something else would have to be taken out and vice versa.

Cancellation. "Cancellation procedures are especially difficult to negotiate with European suppliers due to the suppliers' inability to manipulate the size of his labor force" (Allen, 1979, p. 29). In some instances, representatives of the firms included in this study concluded that, rather than prolong negotiations on this issue, it would be better not to include cancellation procedures in the resulting contract. The issue would be addressed only if cancellation later became necessary. In Europe, disputes over such issues as cancellation costs are resolved through arbitration or jurisprudence. In such cases the decision goes beyond the terms of the contract in an effort to arrive at what is considered an equitable decision.

Negotiating table language. Several approaches were encountered to the issue of what language to use at the negotiating table. In the 1950's and 1960's, it was common to employ negotiators who were native to the foreign country. Negotiations were conducted in the appropriate foreign language. On relatively small noncritical negotiations, the foreign employees of the U.S. organization would conduct the entire negotiation. On larger or more critical negotiations, a senior American official would be present, and the foreign employee would function as an intelligent interpreter--one who conveyed the meaning, nuances, and intent, not merely a literal translation. Several American firms still utilize this approach. If interpreters are used, it has been found that both the U.S. and foreign negotiating team should have their own negotiator.

An alternative approach which seemed to be equally successful is to require all discussions in the negotiating room to be in English, since many senior foreign business officials have an excellent command of English. Those who require all discussions to be in English contend that this approach results in a freer discussion and better and quicker understanding.

The recorder. Several of the interviewees stressed the importance of being (or appointing) the recorder. This is a powerful position--especially in dealings with foreigners!

Authority. Many European firms prefer to start negotiations at a low level with emissaries who obtain information and then scurry back to their superiors. This approach can be a frustrating waste of time and can be avoided by insisting that the principal authority be present.

Openness. One of the questions asked of all interviewees was "Is it practical to be open and frank to the same degree when negotiating with Europeans as with Americans?" While two of the interviewees had been successful being as open and frank with Europeans as with Americans, all other respondents indicated that the Europeans were not accustomed to such an approach and that its use resulted in misunderstanding.

Cultural Nuances: An In-Country Perspective

The United Kingdom

The following instructions to a young American about to undertake his first business dealings with the British are contained in the interesting and relevant book Managing Cultural Differences by Philip R. Harris and Robert T. Moran (1979): "Don't ever assume that the British are just like us because we seem to speak the same language and seem to share a common heritage. Centuries of civilization and empire building have given them an inner pride and composure. . . . Furthermore, you must learn to respect the accomplishments of British technology. When they founded the thirteen colonies here, they were already pioneering the Industrial Revolution. We benefited from their technological advances from then to now, most recently from radar to atomic power."

Normally, Americans find the British reserved, polite, and often friendly, but they shouldn't be taken for granted. For all their simulated modesty, the British can be tough and blandly ruthless when necessary. They are masters at intelligence gathering, political blackmail, and chicanery, as a reading of the book Intrepid will illustrate.

If one is of Irish ancestry, one may scowl "very noble," recalling the other side of their colonialism and plunder. One may decry the patronizing manner of imperial splendor and their rank consciousness, but the above quotation gets to the heart of this people's idealism. It explains their effortless superiority in world affairs, and their confidence as a people. The British produced a tradition of public service and an education and class system dedicated to the needs of the Empire. They also spawned a credo that natural leaders, not low-born self-made men and women, should take positions of authority.

The making of money is not an overwhelming preoccupation of British workers, and toil is not taken as seriously there as in America. In the United Kingdom, industry is viewed as a highly unattractive field. Top-quality people shy away from careers in industry. Only one-third of top management has graduated from a university. Most managers are promoted from within. Because there is a great deal of upward mobility, there is considerable incentive to perform well. Unfortunately, this promotional approach, combined with the relative unattractiveness of industry, amounts to advancing less capable individuals. Generally, managers in the United Kingdom have narrow work experience, which creates difficulties as the manager moves up the hierarchy and is unable to cope with less well-defined problems (Boddewyn, 1976, pp. 551-53).

Furthermore,

Socially, the British are quite formal and reserved. Physical proximity does not imply friendship. Because of the high population density, the British tend to ignore those around them and simply withdraw into themselves whenever they wish to be alone. Such behavior is quite acceptable in the United Kingdom, but to an American, this withdrawal in the American's presence could be misinterpreted as the "silent treatment" (Fast, 1970, p. 41).

The comments of the interviewees may be summarized as follows: the British are easily intimidated by Americans. They are poor managers. Their industry tends to be morbid. They still look at us as the lost colonies. They find it difficult to "lower" themselves to our level. They are very impressed by education and degrees. The firms tend to be overstaffed, retarding the decision-making process significantly. The British negotiators are most deliberate, ill-prepared, poorly organized, yet open and forthright.

They employ few games or apparent tactics. They tend to "nitpick" on trivia, especially terms and conditions. They are very "risk averse." They were described as "babes in the woods" by more than one interviewee.

The Federal Republic of Germany

About 11 percent of German managers come from the working class. About 80 percent of top management have attended universities, of which about 50 percent hold doctorates. The vast majority of German managers have experience in one or more other firms, and they tend to become specialists within the same industry. German managers, it is generally agreed, are more like American managers than other Europeans (except, possibly, for the Dutch). While it is true that German managers have a greater entrepreneurial spirit than other European managers, they tend to be more risk averse than American managers. This cautious and conservative behavior, it is suggested, makes them more willing to seek compromise than to shoulder the risk of confrontation or controversy (Boddewyn, 1976, pp. 314-26).

Because of the stratification of the German education system and the close relationship between education level, employment opportunities, and social status, the Germans are very conscious of educational credentials. The title Dr. commands instant respect whether or not the particular "Dr." makes any sense at all in defending a position at the negotiating table. A Ph.D. expert will probably be a great deal more persuasive than a functional expert who might have had many years of experience in working with the item being [discussed] (Allen, 1979, p. 34).

Germans are slow to reach a decision due to the organization of most firms. Decisions are made by committee. Most firms require two signatures on everything. Many negotiations are with technical people, not businessmen, who tend to be slow and extremely cautious. The U.S. negotiator must be well prepared on all technical aspects of the item under discussion.

The Germans suffer from an extreme case of the "not invented here" syndrome. They are not receptive to technical suggestions. But they are men of their word. A handshake is as good as a written contract. The German negotiator will have a goal in mind. He may be obtuse in letting the American know what the goal is, but once it's

out, negotiations proceed quickly. The Germans do accommodate to logic and thoroughness. They are very concerned with the precision of the written word. They are very "face conscious," and care should be exercised in avoiding open disagreements when staff people are present. The Germans (in contrast to the French) do not play at negotiating. They are serious and honest. U.S. negotiators who are fluent in German hold an advantage over those without this facility. Even when the Germans are aware that an American understands German, they seem powerless to break their habit of caucusing in German in the negotiating room. Frequently, tactics are discussed at these caucuses.

The Netherlands

The Dutch consider themselves citizens of the world; and by necessity, since their economy is dependent on foreign trade, they have learned to conduct business successfully with people from other lands.

Five of the individuals interviewed in conjunction with this research had recent experience in dealing with the Dutch. Their comments all corresponded with those of Commander Allen: "American negotiators describe the Dutch as being punctual, literal, neat. They are practical and straight-forward. They are experienced traders, not push-overs at the negotiating table. Their negotiators tend to have wide authority and be flexible at the negotiating table" (Allen, 1979, p. 44).

Most of the interviewees described dealing with the Dutch as being no different than dealing with a competent American negotiator. No nuances were mentioned. Negotiating practices which were successful in the United States worked equally well in the Netherlands. As is true in almost any successful dealing, some time should be devoted initially to becoming acquainted, whether discussing the weather or current events.

As small as the Netherlands are (13,000 square miles), the country is divided into two somewhat dissimilar groups: the Protestant north and the Catholic south. The Northerners are conservative, rather puritanical and have a strong work ethic. The Southerners tend to be more fun loving and easier going.

France

The French are the least like Americans of the four countries studied. They tend to believe that the basic truths on which life is based derive from principles and immutable or universal laws. They are concerned with the essence of values, apparent in their motto of "Liberty, Equality and Fraternity." To the French, values such as these should transcend everything else in life. Though they behave in an individualistic manner and sometimes find it hard to live by these ideals in everyday life, the hunger for these altruistic ideals is still deeply ingrained in most French people.

Social classes, very important in France, include the aristocracy, the upper bourgeoisie, the upper-middle bourgeoisie, the middle, the lower-middle, and lower classes (blue-collar workers, peasants). People are categorized according to their professional activities (teachers, doctors, lawyers, craftsmen, foremen, and peasants), as well as their political opinions (conservative, left-oriented).

Social interactions are thus affected by these social stereotypes. They affect personal identity. Unlike an American who can theoretically attain the highest levels of social consideration by working hard and being professionally successful, a Frenchman finds it difficult to do so. If professionally successful, a Frenchman can expect to climb one or two stages of the social ladder in a lifetime, but often nothing more.

The French are very status conscious. Social status in France depends on one's social origins. Outward signs of social status are the level of education, a beautiful house with a well-designed, tasteful facade, knowledge of literature and fine arts, and the social origins of one's ancestors.

The average Frenchman is not competitive. This attitude can be dangerous. For example, in a 1978 New Year's Eve television speech, President Giscard d'Estaing tried to educate the French and make them face the fact that competition really should affect their lives. He said competition is not just what the French soccer team experiences during the Soccer World Cup. The economic welfare of the French people actually depends on how competitive French goods are on international markets.

A consequence of these different attitudes is that when Americans interact with French people, they may manifest their competitive drive. The French may interpret their American interlocutors as being antagonistic, ruthless, and power-hungry. They may feel threatened and overreact or withdraw from the discussion.

French people are friendly, humorous, and sardonic. But there is a difference. Americans need to be liked. French people do not. Americans tend to like people who agree with them. French people are more likely to be interested in a person who disagrees with them. Because they want to be liked, Americans try to impress others. On the other hand, the French are difficult to impress and impatient with those who try. Frenchmen tend to gain recognition and to develop their identity by thinking and acting against others, while Americans increase their self-esteem by acting in accord with the actions and expectations of others.

French people tend to respect an individual according to character. Americans tend to respect an individual according to professional accomplishments. Because social stereotypes are so vivid, an average Frenchman cannot earn respect from members of other social classes merely through work accomplishments and performance.

Americans prefer consistency and predictability, and expect role conforming in their relationships. The French, on the other hand, abound in contradictions and are not overly disturbed by them. They profess lofty ideas of fraternity and equality, but at times show characteristics of utmost individualism and selfish materialism. On the political scene, they seem continuously restless, verbally criticizing the government and capitalism, yet are basically conservative, having supported a conservative government for the last twenty-eight years.

French companies contain many social reference groups that are mutually exclusive. Tight reins of authority are needed to ensure adequate job performance. The lesser emphasis on delegation of responsibility limits accountability and contributes to a more rigid organization structure. As a consequence, decision-making is more centralized in French companies, and it may take longer before decisions are reached and applied. This may be a source of frustration for American executives (especially lower- and middle-management executives) who are working with French executives from a comparative management level. Americans may resent the amount of time that is necessary

before their recommendations are considered and dealt with by top-management. Americans are accustomed to executives having a higher degree of responsibility. The flow of communication is improved if American executives have direct access to two or three top executives of a French company. This is where the actual decision-making power is.

Americans do not like conflict, especially interpersonal conflict. They feel uncomfortable, and are concerned about what others think when they are involved in conflict. Because most Americans are pragmatic, they think of conflict as a hindrance to achieving goals. However, the French, partly because they live in a more closed society with relatively little social mobility, are used to conflict. They are aware that some positions are irreconcilable and that people must live with these irreconcilable opinions. They, therefore, tend not to mind conflict, and sometimes enjoy it. They even respect others who carry it off with style and get results. The French are also less concerned about negative reactions from those with whom they are in conflict (Harris and Moran, 1979, pp. 219-25).

As pointed out earlier, "Status consciousness runs very high with the French. Most of the U.S. negotiators found the French to be quite insistent that the French negotiator have the same organizational status as the U.S. negotiator. Thus, the U.S. negotiator may want to learn the French negotiator's position and adjust his own title accordingly" (Allen, 1979, p. 39).

"Historically, the French business philosophy did not stress growth or profit maximization. Entrepreneurs seemed more concerned that too much growth would cause the character of the business to change and would probably affect their comfortable life style" (Earle, 1964, p. 335). The French also differ from the Americans in their attitude toward and relations with their government.

Unlike American practice, dealings between the French government and industry are on an intimate basis, with a great deal of administrative discretion practiced by executive agencies. It is often said by participants that a sense of partnership pervades the relationship. These features reduce to a minimum the adversary-like, formal structure found in the United States. According to a high government official, source selection, contract preparation, and project management are flexible and pragmatic, and not tied up in regulatory constraints (Alexander, 1973, p. 439).

By all reports, the French are extremely difficult to negotiate with. They do not accept facts, no matter how convincing. Although they may consider themselves experts at negotiating, they tend to be amateurish and inadequately prepared. Based on the experiences of several of the interviewees, the first question to ask at the opening of the formal negotiations is "Do you have the authority to negotiate and execute a contract?" If not, insist that such an individual (quite possibly a director) be placed in charge of the French team.

The French seem to be secretive about their position during the negotiations. It is difficult to obtain data from them, even in support of one of their positions.

"Some U.S. negotiators have found that nationalism often tends to sidetrack the French negotiator who becomes extremely preoccupied with a single issue which sometimes is quite minor. If the U.S. negotiator can discover what this 'big' point is, the quid pro quo advantage is potentially enormous" (Allen, 1979, p. 37).

Emotionalism and theatrics are rather common tactics employed by the French. Allen cautions the U.S. negotiator not to panic in such a situation. The passage of time will generally restore the situation to a manageable level (Allen, 1979, p. 41). One experienced negotiator, when asked "How do you deal with an excitable Latin?" responded, "Don't get excited with him. Stop the meeting for a cooling off period. Don't play their game. They are masters at it. Their apparent emotionalism may be real or a game or a tactic!"

This individual continued, "The French are underhanded. They will promise with no intention of following through. A man's word is not binding. They simply are not trustworthy." Another interviewee commented on the French ploys of frequently questioning or attempting to reverse previously made commitments or agreements with such expressions as, "Oh, by the way" and "But we understood." Minutes become crucial in such circumstances. Also, the use of the blackboard to list issues and agreements is a powerful tool.

Several commented that the French seem to enjoy negotiating for negotiating's sake. During this period little real progress is made. But then they appear to tire of the game and want to reach closure. An awareness of the French desire for leisure time and the "good life" can be useful in reaching agreement, as indicated in the

following dialogue. American: "We need to reach agreement since I've booked us at (the Frenchman's favorite restaurant). But we can't go until we reach agreement." Frenchman: "I agree!"

Since many interviewees who had experience dealing with the French expressed strong negative reactions, it may be appropriate to close with a note based on the author's experiences in dealing with the French some twenty years ago. At that time he was in charge of the Procurement activity at Toul-Rosieres Air Base, near Nancy, France. The two senior French buyers employed by this office were the most conscientious and ingenious negotiators observed over the past thirty years. They were masters at achieving the end objective--usually not in the same way that an American would. But the end result was as good or better than had an American been involved. No conclusion can be based on one such set of observations. But this experience, when contrasted with the generally unfavorable experiences cited above does cause one to wonder if we should consider the use of negotiators from or intimately familiar with cultures which are truly foreign to Americans.

Conclusions: Suggestions for Negotiating With a European

1. Be sensitive to your opposite's culture. Read about his culture during the preparation phase. Ask questions of others who have experience negotiating with individuals of his culture.
2. Be well prepared on all issues, especially technical ones.
3. If continuing relations are likely, attempt to develop a personal rapport, a base of understanding, and a bank of goodwill.
4. Find out who your opposite is, who his family is, what his education is, his income, and what makes him "tick."
5. Be prepared for negotiations to take two or three times as long as in the United States.
6. Conduct extensive cost and price analysis before the formal negotiation meeting. Do not expect the European to have a well-developed cost breakdown.

7. Do nothing which might put the European in a face-saving position over the issue of productivity. Focus on rates, not man/hours.

8. Attempt to establish a lower profit objective than in the United States. (Profits tend to be lower in Europe.)

9. Become familiar with the local tax laws.

10. Obtain guidance from your comptroller on the issue of exchange rates and the likely costs or advantages of using a particular currency. Then negotiate the exchange rate as you would any other issue.

11. Arrange issues in such a manner that your opposite can win his share of issues--possibly while you are winning the "big ones."

12. Use the package approach of discussing each issue in turn, reaching agreement when possible and finally developing an acceptable package containing all issues.

13. Be the recorder or appoint him from your team.

14. Insure that the head of the European team has the authority to reach agreement on behalf of his firm.

15. Be extremely cautious in being frank and open during discussions. The Europeans are not accustomed to such an approach. It may be misunderstood and disruptive.

VII. RECOMMENDATIONS FOR FURTHER RESEARCH

Negotiations in General

The research involving contract negotiators, their superiors, and SPO personnel has shown that there are several issues affecting the degree of success achieved by the Air Force in contract negotiations. The next logical step is to find solutions to the major problems that were uncovered:

A successful negotiation has the potential of saving millions of dollars. Consequently, it is recommended that the following projects be undertaken:

- Development of more effective contract negotiation schedules and workload assignments.
- Development of the contractor negotiator specialty as a true career field--to include effective recruitment, selection, training, compensation, and progression.
- Further concentrated study of various methods of improving the long-term profitability of defense contracts and implementation of improvements at the earliest possible date.

Negotiations with Europeans

This research has demonstrated the feasibility of collecting useful data through in-depth interviews with individuals with recent experience dealing with Europeans. Unfortunately, budgetary limitations precluded the type of detailed analysis that this topic deserves. Accordingly, it is recommended that three in-depth research projects be undertaken: one on the United Kingdom, one on the Federal Republic of Germany, and one dealing with negotiations in France. Each project should develop a handbook which would be of great benefit to American negotiators who are preparing to negotiate with citizens of each of these three countries.

APPENDICES

APPENDIX A
Information on Survey Populations and Respondents

Populations and Samples

	<u>Negotiators</u>	<u>Managers of Negotiators</u>	<u>SPO Personnel</u> (Estimates)
Survey Populations			
AD	104	26	48
ASD	297	82	46
ESD	101	17	180
SD	60	29	41
Totals	562	154	315

Completed Questionnaires

AD	14	14	20
ASD	69	50	21
ESD	17	12	55
SD	14	17	27
division unknown	2		3
Totals	116	93	126

Average Responses

Percent of time in contract negotiation work, last 6 mos.	40	20	20
No. of negotiated contracts involved within FY81	6-10	6-10	1-5
Average \$ amount	\$500k-1.9M	\$2M-4.9M	\$500k-1.9M
Yrs. of procurement experience with government	6-10	more than 10	6-10

Appendix A.--CONTINUED

	<u>Negotiators</u>	<u>Managers of Negotiators</u>	<u>SPO Personnel</u>
Education (%):			
High School	3	1	2
Some College	18	5	3
Bachelor's	38	36	33
Master's	39	58	55
PhD or Professional	1	-	8
Special Training (hrs.)			
Contract Management	150	120	34
Negotiation	60	40	-
Age (yrs.)	33	41	39

The formula used to establish sample size, n, was as follows:

$$n = \frac{Z^2 \sigma^2}{(\bar{X} - M)^2}$$

where Z = 1.96 (for 95% confidence level)

σ = 1.0

$\bar{X} - M$ = 0.2

The resulting sample size, n, equaled 96. This figure is significantly higher than necessary due to the small size of the populations and the percentage of each being sampled. However, it was used as a target because of uncertainty concerning the number of personnel who would respond to the request for participation in the survey.

APPENDIX B



AIR FORCE
CONTRACT NEGOTIATION
SURVEY

NOVEMBER 1981

AIR FORCE
CONTRACT NEGOTIATION
SURVEY

November 1981

CONTRACT NEGOTIATION SURVEY

The purpose of this survey is to discover ways of improving Air Force contract negotiations. The emphasis is on face-to-face negotiations.

Three approaches are being used to reach the survey's objective. One is a study of previous efforts that focused on specific factors regarding negotiations in the Air Force and elsewhere. A second approach is to attempt to measure the relative importance of negotiations to the acquisition process. This approach should aid appropriate Air Force personnel in deciding how much of their available resources should be used to improve negotiation activities and results. A third approach is to attempt to identify major problems that prevent Air Force negotiators from achieving their objectives. Most of the questions in the attached questionnaire concern this third approach. In addition, space is provided for you to enter any additional thoughts you may have regarding major problems that hinder the Air Force's attempts to reach its negotiation objectives.

You will note that there is no request to sign the questionnaire. Individual responses, therefore, are not identified. Only grouped responses will be studied. Your assistance in providing information based on your experiences and observations will be appreciated.

The attached questionnaire has been approved for use within the Air Force by AFMPC/DPMYPS through control number USAF SCN 81-88.

PRIVACY ACT STATEMENT

In accordance with paragraph 8, AFR 12-35, Air Force Privacy Act Program, the following information about this survey is provided:

- a. Authority. 10 U.S.C., 8012, Secretary of the Air Force: Powers and Duties, Delegation by.
- b. Principal Purpose. This survey is being conducted to discover ways of improving Air Force contract negotiations.
- c. Routine Use. Survey data will be compiled and analyzed as a data base for research into the Air Force negotiator's job, background and related experience.
- d. Participation in this survey is entirely voluntary.
- e. No adverse action of any kind may be taken against any individual who elects not to participate in any or all of this survey.

NEGOTIATION QUESTIONNAIRE

INTRODUCTION

Where provided, please circle the number representing your response to that particular question or statement. Where written answers are requested, please state your ideas as briefly and clearly as possible.

PART A. GENERAL

1. How important is the negotiation function to Air Force personnel in their efforts to achieve their acquisition objectives?

1	2	3	4	5
Not at All	Somewhat	Moderately	Considerably	Very

Comments: _____

2. What major problems are there, if any, that prevent or tend to prevent Air Force personnel from reaching their contract negotiation objectives? If you know of such problems, please list them briefly below. Next, please indicate the relative importance of any problems you have listed by placing a "1" in the "rank" column next to the most important problem, a "2" next to the second most important problem, and so forth. If a problem concerns a specific type, or types, of contract (for example, FFP, FPI, CPFF, or CPIF), please indicate the type in the right-hand column.

<u>Rank</u>	<u>Major Problem</u>	<u>Type of Contract</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

No. 2 continued on next page.

3. Circle the response that most accurately describes your opinion of the following statements.

	<u>Disagree</u> <u>Strongly</u>	<u>Disagree</u> <u>Somewhat</u>	<u>Neither</u> <u>Agree Nor</u> <u>Disagree</u>	<u>Agree</u> <u>Somewhat</u>	<u>Agree</u> <u>Strongly</u>
In general, Air Force negotiators have sufficient negotiation skills to bargain effectively.	1	2	3	4	5
Ineffective negotiations can easily result in the acquisition of products that <u>do not</u> meet Air Force requirements.	1	2	3	4	5
Ineffective negotiations can easily result in unnecessarily high prices for goods and services purchased by the Air Force.	1	2	3	4	5

4. What percent of all prime contracts awarded in 1979 do you think were negotiated contracts?

	<u>Less Than</u> <u>50%</u>	<u>51-</u> <u>60%</u>	<u>61-</u> <u>70%</u>	<u>71-</u> <u>80%</u>	<u>81-</u> <u>90%</u>	<u>91-</u> <u>100%</u>
Total DoD	1	2	3	4	5	6
Air Force	1	2	3	4	5	6

5. To what extent is an Air Force negotiator at a disadvantage when negotiating with only one firm (sole source)?

0	1	2	3	4	5
No Opinion	Not at All	Slight	Moderate	Considerable	Great

6. To what extent are the following factors a problem in contract negotiations?

	<u>No Opinion</u>	<u>at All</u>	<u>Slight</u>	<u>Moder- ate</u>	<u>Consid- erable</u>	<u>Great</u>
Poorly Written RFPs	0	1	2	3	4	5
Technical Leveling	0	1	2	3	4	5
Technical Transfusion	0	1	2	3	4	5
Multiple Concurrent Negotiations	0	1	2	3	4	5
Buy-ins	0	1	2	3	4	5
Best and Final Offer	0	1	2	3	4	5

7. To what extent do the following factors make it difficult for Air Force negotiators to reach their negotiation objectives?

	<u>No Opinion</u>	<u>Not at All</u>	<u>Slight</u>	<u>Moder- ate</u>	<u>Consid- erable</u>	<u>Great</u>
The contractor is extremely cautious because of the potentially high cost of settling future disputes.	0	1	2	3	4	5
The required technology is uncertain.	0	1	2	3	4	5
The contract is large, for example, more than \$100 thousand.	0	1	2	3	4	5
The contractor is a large firm (annual sales of more than \$500 million).	0	1	2	3	4	5
Inflation has a significant effect on contractor's costs.	0	1	2	3	4	5
Weighted guidelines, as prescribed by the DAR, are used to negotiate profit or fee.	0	1	2	3	4	5
The contractor anticipates no future sales beyond the contract under negotiation.	0	1	2	3	4	5

8. Does the type of contract (CPFF, FFP, etc.) cause major problems during negotiations?

0	1	2	3	4	5
No Opinion	Very Rarely	Seldom	Occasionally	Many Times	Usually

9. To what extent do you think that the perceived risk of losing money affects a contractor's negotiation objectives and negotiation strategy?

	<u>No Opinion</u>	<u>Not at All</u>	<u>Slight</u>	<u>Moder- ate</u>	<u>Consid- erable</u>	<u>Great</u>
Negotiation Objectives	0	1	2	3	4	5
Negotiation Strategy	0	1	2	3	4	5

10. What is your reaction to the following statement? The Air Force places greater emphasis on adherence to established negotiation procedures than on the development of negotiation skills and techniques of its negotiators.

1	2	3	4	5
Disagree Strongly	Disagree Somewhat	Neither Agree Nor Disagree	Agree Somewhat	Agree Strongly

11. What is your belief concerning this statement? Skilled Air Force negotiators usually move to other positions, thus causing a loss of valuable talent.

1	2	3	4	5
Disagree Strongly	Disagree Somewhat	Neither Agree Nor Disagree	Agree Somewhat	Agree Strongly

12. Do you think that skilled Air Force negotiators leave the Air Force to join private contractor organizations?

	<u>Very Rarely</u>	<u>About 25% Do</u>	<u>About 50% Do</u>	<u>About 75% Do</u>	<u>About 100% Do</u>
Military Personnel	1	2	3	4	5
Civilian Personnel	1	2	3	4	5

PART B. FINANCIAL

The following questions concern the financial aspects of negotiations.

13. Is the profit or fee objective (percentage) used by your organization appropriate to the contract type?

0	1	2	3	4	5
No	Very		About 1/2	Most	Almost
Opinion	Rarely	Seldom	of the Time	Frequently	Always

14. What is your opinion concerning the following statements?

	<u>Disagree</u> <u>Strongly</u>	<u>Disagree</u> <u>Somewhat</u>	<u>Neither</u> <u>Agree Nor</u> <u>Disagree</u>	<u>Agree</u> <u>Somewhat</u>	<u>Agree</u> <u>Strongly</u>
The government's emphasis on specific fee and profit levels makes contractors unwilling to invest in labor-saving equipment.	1	2	3	4	5
The government should focus on price rather than profit or fee percentages.	1	2	3	4	5
Low profits and fees in the defense industry tend to drive out firms with other alternatives.	1	2	3	4	5
Government negotiators are more concerned with profit and fee rates than final prices.	1	2	3	4	5
Contracting methods, for example, formal advertising, are used appropriately.	1	2	3	4	5
Not enough time is available for analyzing cost and pricing data prior to negotiation.	1	2	3	4	5

No. 14 continued on next page.

	<u>Disagree</u> <u>Strongly</u>	<u>Disagree</u> <u>Somewhat</u>	<u>Neither</u> <u>Agree Nor</u> <u>Disagree</u>	<u>Agree</u> <u>Somewhat</u>	<u>Agree</u> <u>Strongly</u>
Progress payments are a significant concern of contractors in current negotiations.	1	2	3	4	5
Contract negotiators receive adequate price analysis support when needed or requested.	1	2	3	4	5
DCAA rate and audit report recommendations usually are an important aid in contract negotiations.	1	2	3	4	5
There is general agreement as to what constitutes accurate, current and complete cost and pricing data.	1	2	3	4	5
The Air Force has sufficient access to contractor cost and pricing data.	1	2	3	4	5
Pricing personnel usually conduct an effective "should cost" exercise.	1	2	3	4	5

15. In general, do contracting officers have the expertise and time needed to analyze the costs of proposals in the following ranges?

<u>Total Price</u>	<u>No Opinion</u>	<u>Yes</u>	<u>No</u>
Less than \$100,000	0	1	1
\$100,000 - \$199,999	0	2	2
\$200,000 - \$499,999	0	3	3
\$500,000 - \$999,999	0	4	4
\$1,000,000 - \$1,999,999	0	5	5
\$2,000,000 - \$4,999,999	0	6	6

No. 15 continued on next page.

	<u>No Opinion</u>	<u>Yes</u>	<u>No</u>
\$5,000,000 - \$9,999,999	0	7	7
Over \$10 million	0	8	8

16. What is the lowest contract value at which contracting officers usually use the services of price analysts?

0	1	2	3	4
Don't Know	Less Than \$100,000	\$100,000 -199,999	\$200,000 -499,999	\$500,000 -999,999
5	6	7	8	
\$1-1.9m	\$2m-4.9m	\$5m-9.9m	Over \$10m	

17. In general, to what extent do contracting officers use the services of pricing analysts considering dollar amount and complexity of the proposal.

	<u>No Opinion</u>	<u>Not at All</u>	<u>Slight</u>	<u>Moderate</u>	<u>Considerable</u>	<u>Great</u>
In preparing for negotiations	0	1	2	3	4	5
During actual negotiations	0	1	2	3	4	5

PART C. ORGANIZATION AND PERSONNEL

The next group of questions concerns organizational and personnel considerations.

18. How often are your principal contract management offices:

	<u>Rarely</u>		<u>Half of the Time</u>		<u>Usually</u>
Undermanned?	1	2	3	4	5
Staffed with experienced people?	1	2	3	4	5
Staffed with personnel whose grades are too low to be effective?	1	2	3	4	5
Staffed with personnel who are too contractor-oriented?	1	2	3	4	5

No. 18 continued on next page.

	<u>Rarely</u>		<u>Half of the Time</u>		<u>Usually</u>
Have personnel who stay too long at the same facility?	1	2	3	4	5

19. How often are management reviews of the effectiveness of negotiations performed?

1	2	3	4	5
Not at All	Infre- quently	Occasion- ally	Fre- quently	Regularly

20. If the reviews are performed at least "occasionally," how thorough and beneficial are they?

	<u>Not at All</u>	<u>Some- what</u>	<u>Moder- ately</u>	<u>Consid- erably</u>	<u>Very</u>
Thorough	1	2	3	4	5
Beneficial	1	2	3	4	5

21. How effective is the Air Force method of selecting, training, and evaluating negotiators?

	<u>No Opinion</u>	<u>Not at All</u>	<u>Slightly</u>	<u>Moder- ately</u>	<u>Consid- erably</u>	<u>Very</u>
Selecting Negotiators	0	1	2	3	4	5
Training Negotiators	0	1	2	3	4	5
Evaluating Negotiators	0	1	2	3	4	5

22. How important are the personal characteristics of negotiators in achieving negotiation objectives?

1	2	3	4	5
Not at All	Somewhat	Moderately	Considerably	Very

23. What would be the impact on the effectiveness of Air Force negotiations if "Negotiator" was a career position?

0	1	2	3	4	5
Unknown	Strong Negative Effect	Slight Negative Effect	No Effect	Slight Positive Effect	Strong Positive Effect

24. When compared with their counterparts in large companies (annual sales over \$500 million), Air Force negotiators are superior in the following areas:

	Disagree <u>Strongly</u>	Disagree <u>Somewhat</u>	Neither Agree Nor <u>Disagree</u>	Agree <u>Somewhat</u>	Agree <u>Strongly</u>
Experience	1	2	3	4	5
Training	1	2	3	4	5
Education	1	2	3	4	5
Business Ability	1	2	3	4	5
Judgment	1	2	3	4	5
Character	1	2	3	4	5
Fairness	1	2	3	4	5
Ethics	1	2	3	4	5
Intelligence	1	2	3	4	5
Flexibility	1	2	3	4	5
Negotiating Ability	1	2	3	4	5
Knowledge of the DAR	1	2	3	4	5

PART D. RECENT EXPERIENCE

If you have participated directly in negotiations during the past 12 months, please answer the following questions. Otherwise, please turn to page 13.

25. During the most recent contract negotiation in which you participated, to what extent were the following items the subject of disagreement between Air Force and contractor teams?

	<u>No</u> <u>Opinion</u>	<u>Not</u> <u>at All</u>	<u>Slight</u>	<u>Moder-</u> <u>ate</u>	<u>Consid-</u> <u>erable</u>	<u>Great</u>
Type of Contract	0	1	2	3	4	5
Specifications	0	1	2	3	4	5
Inspection and Testing	0	1	2	3	4	5
Cost or Price	0	1	2	3	4	5
Profit or Fee	0	1	2	3	4	5
Direct Rates	0	1	2	3	4	5
Indirect Rates	0	1	2	3	4	5
Performance Milestones/ Schedules	0	1	2	3	4	5
Statement of Work	0	1	2	3	4	5
Contract Data Requirements List	0	1	2	3	4	5
Progress Payments	0	1	2	3	4	5

26. To what extent were the following conditions a problem during negotiations?

	<u>No</u> <u>Opinion</u>	<u>Not</u> <u>at All</u>	<u>Slight</u>	<u>Moder-</u> <u>ate</u>	<u>Consid-</u> <u>erable</u>	<u>Great</u>
The contractor took unfair advantage of the Air Force negotiator's efforts to be fair and cooperative.	0	1	2	3	4	5

No. 26 continued on next page.

	<u>No</u> <u>Opinion</u>	<u>Not</u> <u>at All</u>	<u>Slight</u>	<u>Moder-</u> <u>ate</u>	<u>Consid-</u> <u>erable</u>	<u>Great</u>
Vague specifications led to a strategy of simply trying to reduce the proposed price.	0	1	2	3	4	5
The contractor knew that the Air Force negotiator could not adopt a "take-it-or-leave-it" position.	0	1	2	3	4	5
The composition of the Air Force negotiation team was not suited to the specific situation.	0	1	2	3	4	5
The Air Force negotiation team had insufficient training as a team.	0	1	2	3	4	5
The Air Force team had insufficient knowledge of the DAR regarding adequacy of cost and pricing data.	0	1	2	3	4	5

27. It has been said that the government uses contracts as an instrument of national policy to enforce social, economic, and regulatory issues that have been enacted into law. Examples include mandatory contract clauses regarding preferential treatment of small businesses, promotion of equal employment opportunity provisions, clean air and water standards, and the reduction of unemployment. To what extent do these clauses affect the contract negotiations? They make negotiating:

1	2	3	4	5
Much More Difficult	A Little More Difficult	No Effect	A Little Easier	Much Easier

28. How effective is the current contractor proposal evaluation process in terms of thoroughness, accuracy, and sufficient time for review?

	<u>Not at All</u>	<u>Some- what</u>	<u>Moder- ately</u>	<u>Consid- erably</u>	<u>Very</u>
Thoroughness	1	2	3	4	5
Accuracy	1	2	3	4	5
Sufficient time for review	1	2	3	4	5

29. How useful are the technical, financial, and management evaluations of contractors' proposals that are prepared for contract negotiators?

	<u>Not at All</u>	<u>Some- what</u>	<u>Moder- ately</u>	<u>Consid- erably</u>	<u>Very</u>
Technical	1	2	3	4	5
Financial	1	2	3	4	5
Management	1	2	3	4	5

30. Compared with most of the duties you now have and have had in the past, how much do you like negotiating?

1	2	3	4	5
Very Little	Below Average	About Average	Above Average	Very Much

31. During the past six months approximately what proportion of your time was spent preparing for and participating in contract negotiations?

0	1	2	3	4	5	6	7	8	9	10
0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

PART E. BACKGROUND

Please provide some brief information concerning your background.

32. Please identify your AFSC Division. 10 20 30 40
 ASD ESD SD AD

FOR CIVILIAN PERSONNEL ONLY

(Military Personnel should skip to question 35.)

33. What is your General Schedule occupation (for example, "GS-1102 Contract and Procurement")?
- _____

34. What is the official title of your position (for example, "Contract Specialist")? If necessary, see your Position Description.
- _____

FOR MILITARY PERSONNEL ONLY

(Civilian Personnel should skip to question 37.)

35. What is your Air Force Military Specialty (for example, "6534 Procurement Officer")?
- _____

36. What is your current position?

	10	11	12	13
<u>Staff:</u>	Deputy for Contracting	Director of Contracting	Director of Cost Analysis	Pricing Analyst

 Other staff position. Please specify.

No. 36 (Program Office positions) continued on next page.

<u>Program Office:</u>	50	51	52
	System Program Director	Director of Contracting	Director of Engineering
	53	54	55
	Director of Config. Mgt.	Director of Program Control	Director of Multi-National Programs

Other Program Office position. Please specify.

FOR ALL PERSONNEL

37. What type of position do you now hold?

- 1 Managerial (second-line supervisor or higher)
- 2 First-Line Supervisor (officially designated)
- 3 First-Line Supervisor (not officially designated)
- 4 Nonsupervisory and nonmanagerial

Other. Please specify

38. Do you possess any of the following titles or warrants?
Mark only one.

- 1 Administrative Contracting Officer (ACO)
- 2 Contracting Officer Representative (COR)
- 3 Contracting Officer Technical Representative (COTR)
- 4 Principal Contracting Officer (PCO)
- 5 Terminations Contracting Officer (TCO)

Other. Please specify.

39. How many negotiated contracts did you help prepare during FY81? (Mark one.)

1	2	3	4	5	6
None	1-5	6-10	11-20	21-40	Over 40

40. How many formally advertised contracts did you help prepare during FY81? (Mark one.)

1	2	3	4	5	6
None	1-5	6-10	11-20	21-40	Over 40

41. What is the dollar amount of the average negotiated contract that you helped prepare in FY81?

0	1	2	3	4	5
\$0	Under \$100,000	\$100,000 -499,999	\$500,000 - 1.9M	\$2M - 4.9M	\$5M - 9.9M
6	7				
\$10M - 100M	Over \$100M				

42. What is the dollar amount of the average formally advertised contract that you helped prepare in FY81?

0	1	2	3	4	5
\$0	Under \$100,000	\$100,000 -499,999	\$500,000 - 1.9M	\$2M - 4.9M	\$5M - 9.9M
6	7				
\$10M - 100M	Over \$100M				

43. Approximately how long have you held your current position?

1	2	3	4	5
Less Than 6 Months	6 Months to 2 Years	2 to 5 Years	6 to 10 Years	More Than 10 Years

44. How long have you worked in procurement-related duties in the defense industry?

	Not at All	Less Than 6 months	6 months to 2 years	2 to 5 Years	6 to 10 Years	More Than 10 Years
For the Government?	0	1	2	3	4	5
For Defense Contractors?	0	1	2	3	4	5

45. Mark your highest educational level attained.

1	2	3	4	5
Did Not Complete High School	High School	1 Year of College	2-4 Years of College No Degree	Bachelor's Degree
6	7	8		
Master's Degree	Doctorate	First Professional		

46. How much special training have you received in the following subjects?

Contract management: _____ hours

Negotiation: _____ hours

47. Approximately how old are you?

1	2	3	4	5
20-29	30-39	40-49	50-59	60-69

PART F. CONCLUSION

Please note below any further information that you believe is relevant to:

- the value, or importance, of the negotiation function and
- major problems concerning negotiation.

Thank you for assisting us in identifying possible ways of improving the acquisition process.

DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE SYSTEMS COMMAND
ANDREWS AIR FORCE BASE, DC 20334REPLY TO
ATTN OF

PM

18 Jun 1981

SUBJECT

Air Force Sponsored Survey

TO

ASD/PM SD/PM ESD/PK AD/PM

1. The Air Force Business Research Management Center (AFBRMC) has contracted with Mr. William Gardiner of William Gardiner Associates to conduct a study on "Improving the Effectiveness of Contract Negotiation." To complete this study Mr. Gardiner proposes to contact procurement and management personnel at AFSC Product Divisions to determine their feeling about:

- a. The importance of negotiations in the acquisition process.
- b. The need for improving negotiation skills and techniques of Air Force personnel.
- c. Possible problem areas in negotiating contracts in the United States and in European countries.

2. Mr. Gardiner plans to visit each addressee and survey about 75 people at each activity. Each survey should take about a half hour to complete. Attached for your information is a copy of the proposed survey form. The details of the completed study will be provided to each addressee.

3. You will be contacted in the near future by AFBRMC and provided more details concerning Mr. Gardiner's visit and the survey. To facilitate this effort you will be asked to identify a focal point.

4. This survey is a direct result of the interest expressed at the 1979 AFBRMC Board Meeting in learning more about the role the contract negotiator plays in the acquisition function. We approve of the survey and urge your complete support.

FOR THE COMMANDER

BERNARD L. WEISS
Colonel, USAF
DCS/Contracting & Manufacturing1 Atch
Survey Form

Cy to: AFBRMC/RDCB (Col Cheney)



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS ELECTRONIC SYSTEMS DIVISION (AFSC)
HANSCOM AIR FORCE BASE, MASSACHUSETTS 01731

JAN 12 1982

William Gardiner Associates, Inc.
P.O. Box 722
East Lansing, Michigan 48823

Dear Mr. Gardiner:

Attached you will find the completed surveys from Hq. ESD personnel. Individuals selected as negotiators or supervisors of negotiators were derived by a random selection of individuals by drawing numbers from a hat. Numbers in the hat were the total population of each respective group. Category 3 (users of negotiators) was difficult to ascertain since ESD underwent a reorganization effective 1 Dec 1981. Since the total population could not be ascertained, 4 surveys were sent to twenty addressees. The office addressed then had individuals such as program managers, engineers, respond to the survey. If any additional information is needed please contact the undersigned.

Charles R. Wisniewski
CHARLES R. WISNIEWSKI, Major, USAF
Executive Officer

- 3 Atchs:
1. Sample Matrix
 2. 8 Dec ltr. to Contracting offices
 3. 8 Dec ltr. to System Program Offices
 4. Surveys

ELECTRONIC SYSTEMS DIVISION

SAMPLE MATRIX

		<u>POPULATION</u>	<u>SAMPLE</u>	<u>RETURNED</u>
1.	Negotiator	(Military 37 (Civilian 64	8 14	5 13
2.	Supervisors of Negotiators	(Military 10 (Civilian 7	7 5	5 4
3.	Users of Negotiators Services		80	62

PKO/Maj Wisniewski/3588/ps/4 Dec 81

DEC 8 1981

PKO

Air Force Sponsored Survey

See Distribution List

1. The Air Force Business Research Management Center (AFBRMC) has contracted with Mr William Gardiner of William Gardiner Associates to conduct a study on "Improving the Effectiveness of Contract Negotiation." To complete this study, contracting and program management personnel at AFSC Product Divisions are being surveyed to determine their feeling about:

- a. The importance of negotiations in the acquisition process.
- b. The need for improving negotiation skills and techniques of Air Force personnel.
- c. Possible problem areas in negotiating contracts in the United States and in European countries.

2. The survey is a direct result of the interest expressed at the 1979 AFBRMC Board Meeting in learning more about the role the contract negotiator plays in the acquisition function. The survey has been approved at HQ AFSC. And Brigadier General Bernard L. Weiss, HQ AFSC DCS/Contracting and Manufacturing solicits your complete support in responding to this survey

3. Request that the attached survey be filled out by system program office personnel who are directly involved in the negotiation process. The number of surveys per program office is noted on the attached Distribution List. Please select at random individuals to respond to the survey. Return completed surveys to ESD/PKO by COB 21 December 1981. Any questions on the survey can be directed to Major Wisniewski. ESD/PKO at Extension 3588:

SIGNED

JOHN D. SLINKARD, Colonel, USAF
Deputy for Contracting

5 Atchs
1. Distribution List
2-5. Surveys

ATCH 3

DISTRIBUTION LIST

ESD/TCB	4
TCF	4
TCI	4
TCJ	4
TCR	4
TCY	4
ESD/SCS	4
SCK	4
SCV	4
SCU	4
SCT	4
SCD	4
ESD/OCB	4
OCN	4
OCD	4
OCR	4
ESD/FA	4
ESD/XR	4
ESD/YW	4
ESD/EC	4

APPENDIX E

DEPARTMENT OF THE AIR FORCE
AIR FORCE BUSINESS RESEARCH MANAGEMENT CENTER (HQ USAF)
WRIGHT-PATTERSON AIR FORCE BASE, OHIO 45433

8 December 1981

William Gardiner Associates, Inc.
P.O. Box 722
East Lansing, MI 48823
Contract F33615-80-C-5188

Dear Mr. Gardiner

The attached survey forms (21) were completed at SD during my visit and are forwarded for your evaluation.

Mr. Frank de Luna and myself selected those individuals to be surveyed using the following method:

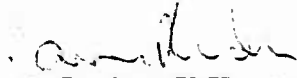
From the total pool of negotiators, supervisors and users assigned (Civ/Mil - 40/20, 20/9, 41), we determined the number (as you directed) required to take the survey (20%, 70%, 70%). The population to be surveyed was determined to be (10/6, 14/7, 29). We then determined the ratio of each population assigned by division (currently 7) and randomly selected the suggested representatives to take the survey. Each Director was then given their total number to be surveyed, broken down by negotiators, supervisors, and users along with the name of each suggested representative. The Directors had been told about the survey and were reformed about the survey, the importance of insuring that a random, representative sample of individuals within their Directorate were given the survey, and to substitute as needed to complete the population trying to maintain the level of experience found on the original list.

No new Copper Cap employees were given the survey and each individual was requested to keep the survey confidential.

<u>Totals</u>	Assigned C/M	Given Survey C/M
Negotiators	40/20	10/6
Supervisors	20/9	14/9
Users	41	<u>29</u>
		68

As I discussed with you the large drop in numbers is due to the recent physical movement of the personnel assigned to special projects to their new offices. These people are assigned to the Secretary of Defense and might have previously been included by SD on their roles.

Sincerely



JAMES P. WEBER, Maj, USAF
Research Manager

1 Atch
21 completed copies
of surveys

APPENDIX F

Questions on the Nuances of Negotiating Overseas

by David N. Burt

We are interested in gaining insight into the nuances of negotiating with business and government representatives of the United Kingdom, France, the Federal Republic of Germany, the Netherlands, and Italy. If you have had experience dealing with such representatives, please answer the following questions. Our objective is to gain insight into such negotiations so that future U.S. negotiators may better prepare and conduct negotiations with representatives of European governments and businesses. Thus, if a question should trigger any experiences, or insight which you feel are relevant, please share them with us. And please indicate the country to which you are referring.

1. Are there any special or peculiar tendencies or behavioral patterns on the part of non-U.S. negotiators which deserve attention during the preparation for and conduct of such negotiations?
2. In the U.S. we find that many negotiations consist of three stages: (1) determination of the counterparts' range of negotiating positions; (2) attempts to narrow the differences between the seller's and buyer's positions; and (3) compromise and hard bargaining. Did you find any deviations from this model?
3. One of the choices in negotiating tactics is between "sequential negotiations" calling for negotiation and agreement on all issues in turn and the "package approach." With the "package approach," individual issues are discussed with the objective of reaching agreement on each issue, if possible. If

107.
agreement on an issue is not feasible while discussing it in isolation, it can be dealt with in the context of an overall agreement with compromises on one issue receiving offsetting compromises on other issues. Generally, we find that the "package approach" is faster and avoids impasses. Do these observations coincide with your experience with European negotiators?

4. Some negotiators appear to be more concerned with the number of concessions than their importance. It thus may be possible for a skilled negotiator to yield several minor concessions in return for one of major importance to him. Did you find this tendency to be present in any European negotiators?
5. A good negotiator is always on the lookout for emotional issues which might yield valuable concessions on substantive issues. (For example, an agreement to cast "Made in France" into a piece of hardware might be an emotional issue which could be traded for a more desirable delivery schedule). Would you share any such experiences which seem representative of negotiators of any of the five countries.
6. Is it practical to be open and frank to the same degree when negotiating with Europeans as with Americans?
7. Do you have any experience on limitations on the negotiator's authority which would be helpful?
8. Does fluency in the foreign country language aid the U.S. negotiator?
9. This question concerns organizational status. Have you found any advantage in having the U.S. negotiator be senior/equal/subordinate to his European

counterpart?

10. Did it appear that the European negotiating team had functioned as a team in other dealings with Americans? If so, did this appear to give them an advantage over the U.S. negotiating team?
11. Did you have any particular difficulty reaching agreement on any of the following contract terms and conditions?
 - a) disputes
 - b) jurisdiction
 - c) penalties
 - d) any other terms or conditions
12. Have you found any differences in pricing policies and procedures between those in the U.S. and in the above European countries?
13. Are any areas of foreign price proposals (e.g., design engineering, test, data preparation) more subject to negotiation than other areas?
14. Do you have any experiences in currency exchange agreements which should be shared with other U.S. negotiators?
15. Do you have any experience in progress and/or advanced payments which you can share?

BIBLIOGRAPHY

BIBLIOGRAPHY

Domestic Negotiations

Baxa, Jon B. and Paul Hicks. "Inquiry into the Contribution of Contracting Parameters to Contract Disputes." Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, June 1976.

Bearden, James G. and John C. Chipman. "Personal Characteristics of Air Force Contract Negotiators." Master's Thesis, Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, June 1977.

Boyett, J. E. and D. E. Strayer. "Analysis of Cost and Non-Cost Negotiated Profit Factors in Department of Defense Contracting." Wright-Patterson Air Force Base, Ohio: Air Force Business Research Management Center, June 1976.

Brosius, Robert C. and Steven R. Erickson. "An Analysis of the Effect of Simulated Negotiation on Final Negotiated Results." Master's Thesis, Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, March 1973.

Brown, James K. "The Defense Industry: Some Perspectives From the Financial Community." New York: Conference Board Report No. 693, 1976.

Cox, Edward and C. E. Jarrett. "Historical Development of Procurement Methods." Washington, D.C.: Office of the Assistant Secretary of Defense, Installations and Logistics, 1969.

Electronic News. "Japanese 'Miracle' Credited to Government Business Co-op." April 12, 1982, D.

Fischer, John R. "Negotiation Guide for Air Force Contract Negotiators and Managers." Maxwell Air Force Base, Alabama: Air Command and Staff College, Air University, April 1977.

Fox, Ronald J. Arming America. Cambridge: Harvard University Press, 1974.

Karrass, Chester L. The Negotiating Game. New York: Thomas Y. Crowell Company, 1970.

Lee, Lamar, Jr. and Donald W. Dobler. Purchasing and Materials Management. New York: McGraw-Hill Book Company, 1965.

_____. Purchasing and Materials Management: Text Cases. New York: McGraw-Hill Book Company, 1977.

Lippencott, Barry L. "A Comparison of the Qualifications of Department of the Army Negotiators and Industrial Negotiators." Fort Lee, Virginia: U.S. Army Logistics Management Center, Florida Institute of Technology, June 1979.

Marshall, Harvey A. and Robert J. Pratt. "An Analysis of Strategy and Tactics Employed in Contract Negotiations." Master's Thesis, Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, August 1974.

McConnell, Thomas J. and Margaret A. Martinez. "Development of Improved Criteria for Determining the Need for Pricing Staff Action." Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, September 1979.

Miller, Michael J. "Weapon System Source Selection: Is Four-Step the Answer?" Master's Thesis, Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, December 1978.

Mullen, John D. "The Effects of Personality and Simulated Negotiation on Negotiation Effectiveness." Monterey, California: Naval Postgraduate School, December 1978.

Muzio, David L. "Is There Compliance with Public Law 87-653?" Maxwell Air Force Base, Alabama: Air Command and Staff College, Air University, May 1975.

Newman, Paul E. "An Analysis of Appealed Air Force Contract Disputes." Wright-Patterson Air Force Base, Ohio: Air Force Business Research Management Center, November 1975.

Nierenberg, Gerard I. Fundamentals of Negotiating. New York: Hawthorne Books, Inc., 1973.

Novak, Theodore J. and Russell V. Whitley. "Identification of Personal Characteristics of Air Force Contract Negotiations." Master's Thesis, Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, September 1976.

Robertson, Jack. "Hughes Exec Chides DOD on Payments." Electronic News. February 16, 1981, 73.

_____. "Government Closeup: Et Tu, Autodin-2?" Electronic News. April 12, 1982, 14.

Rule, Gordon Wade. The Art of Negotiating. 1972.

Ruckle, Jack R. "An Assessment of Behavioral Influences on Defense Business Profitability." Maxwell Air Force Base, Alabama: Leadership and Management Development Center, June 1980.

Smith, Herbert. "Comptroller's Role in Labor Contract Negotiations." Maxwell Air Force Base, Alabama: Leadership and Management Development Center, April 1979.

Waldman, Henry W. and John K. Rutledge. "An Analysis of the Control and Importance of Strategy Factors in Planning for Negotiation of Procurement Contracts." Master's Thesis, Wright-Patterson Air Force Base, Ohio: School of Systems and Logistics, Air Force Institute of Technology, August 1975.

U.S. Department of Defense. Defense Acquisition Regulations (Armed Services Procurement Regulations), DAC #76-16. Washington: U.S. Government Printing Office, August 1, 1978.

_____. Prime Contract Awards, Size Distribution: Fiscal Year 1980. Washington, D.C.: Department of Defense, Washington Headquarters Services, (Fiche) April 1981.

U.S. General Accounting Office. "Improvements Still Needed in Negotiating Prices of Noncompetitive Contracts Over \$100,000. Department of Defense." Washington, D.C.: U.S. General Accounting Office, August 1974.

U.S. General Accounting Office. "Pricing of Noncompetitive Contracts Subject to the Truth-in-Negotiations Act." Washington, D.C.: U.S. General Accounting Office, April 1977.

U.S. General Accounting Office. "Defense's Accounting for Its Contracts Has Too Many Errors: Standardized Accounting Procedures Are Needed." Washington, D.C.: U.S. General Accounting Office, January 1980.

Overseas Negotiations

Alexander, Arthur J. "Weapons Acquisition in the Soviet Union, the United States, and France." In Comparative Defense Policy, edited by Barry Horton, et al., 1973.

Allen, Daniel W. Jr. "Factors in Negotiating Overseas." Unpublished master's thesis, Naval Postgraduate School, Monterey, CA, September 1979.

Arensberg, Conrad and Arthur Niehoff. Introducing Social Change: A Manual for Americans Overseas. Chicago: Aldine Publishing Co., 1964.

Backman, Jules, ed. Social Responsibility and Accountability. New York: New York University Press, 1975.

Bartos, Otomar J. Process and Outcome of Negotiations. New York: Columbia University Press, 1974.

Behrman, Jack N. National Interests and the Multinational Enterprise. Englewood Cliffs, N.J.: Prentice-Hall, 1970.

_____. U.S. International Business and Governments. New York: McGraw Hill, 1971.

Boddewyn, J. J. World Business Systems and Environments. Intest Educational Publishers, 1972.

_____. European Industrial Managers. International Arts and Sciences Press, 1976.

- Bryson, George. Profits from Abroad. New York: McGraw Hill, 1964.
- Burmeister, I. Meeting German Business. Atlantik-Brucke, 1973.
- Business Risk Education Center of the Wharton School.
"Developing Multinational Negotiation Strategy."
Philadelphia: University of Pennsylvania, October 1980.
- Business Week. "Avoiding Faux Pas When Visiting a Foreign Country." December 12, 1977, pp. 115-16.
- Cateora, Philip R. International Marketing. Richard D. Irwin, 1975.
- Coffin, Royce A. The Negotiator: A Manual for Winners. AMACOM, 1973.
- Combs, Paul H. Handbook of International Purchasing, 2nd ed. Cahners, 1976.
- Cross, John G. The Economics of Bargaining. New York: Basis Books, Inc., 1969.
- Druckman, Daniel, ed. Negotiations, Social-psychological Perspectives. Sage Publications, 1974.
- _____. Human Factors in International Negotiations. Sage Publications, 1973.
- _____. "Cultural Differences in Bargaining Behavior." Journal of Conflict Resolution, 20 (1976): 413-49.
- Dynisza, William A. Multinational Business Strategy. New York: McGraw Hill, 1972.
- Earle, Edward M. Modern France: Problems of the Third and Fourth Republics. Russell and Russell, 1974.
- Ewing, John S. and Frank Meissner. International Business Management. Wadsworth Publishing Co., 1964.
- Fast, Julius. Body Language of Sex, Power, and Aggression. M. Evans, 1970.
- Fayerweather, John. The Executive Overseas. Syracuse, N.Y.: Syracuse University Press, 1959.

- _____. International Business Strategy and Administration. Cambridge, Mass.: Ballinger, 1978.
- _____. International Marketing. Englewood Cliffs, N.J.: Prentice-Hall, 1970.
- _____. International Business Management, A Conceptual Framework. New York: McGraw Hill, 1969.
- _____. International Business-Government Affairs. Cambridge, Mass.: Ballinger, 1973.
- Fayerweather, John and Ashok Kapoor. Strategy and Negotiation for the International Corporation. Cambridge, Mass.: Ballinger Publishing Co., 1976.
- Fisher, Roger. International Conflict for Beginners. New York: Harper and Row, 1969.
- Gladwin, Thomas N. Environment, Planning and the Multinational Company. JAI Press, 1977.
- _____. Multinational Under Fire: Lessons in the Management of Conflict. New York: John Wiley and Sons, 1980.
- Gulliver, P. H. Disputes and Negotiations: A Cross-Cultural Perspective. New York: Academic Press, 1979.
- Hall, D. and H. C. BeHignieš. "The European Business Elite." European Business 23 (1969): 45 ff.
- Hall, Edward T. Beyond Culture. Anchor Press, 1976.
- _____. The Silent Language. New York: Doubleday, 1980.
- Harms, L. S. Intercultural Communication. New York: Harper and Row, 1973.
- Harnet, Donald L. and Larry L. Cummings. Bargaining Behavior: An International Study. Dame Publications, 1980.
- Harris, Philip R. and Robert T. Moran. Managing Cultural Differences. Gulf Publishing Co., 1979.
- Harvard Business Review. "The Silent Language in Overseas Business." (May-June 1960): pp. 87-96.
- Ikle, Fred C. How Nations Negotiate. New York: Harper and Row, 1964.

- Kapoor, Ashok. Planning for International Business Negotiation. Cambridge, Mass.: Ballinger Publishing Co., 1975.
- _____. International Business Negotiations. New York: New York University Press, 1970.
- _____. International Business-Government Relations: U.S. Corporate Experiment in Asia and Western Europe. AMACOM, 1973.
- Karrass, Chester L. The Negotiation Game. Cleveland World Publishing Company, 1970.
- Katona, George, B. Strumpel and Ernest Zahn. Aspirations and Affluence, Comparative Studies in the United States and Europe. New York: McGraw Hill, 1971.
- Kolde, Endel. International Managerial Communication. Englewood Cliffs, N.J.: Prentice-Hall, 1970.
- Kolde, Endel J. and John Fayerweather. International Business Enterprise. Englewood Cliffs, N.J.: Prentice-Hall, 1973.
- Kramer, Roland L. International Marketing 3rd ed. Southwestern, 1970.
- Lee, James A. "Cultural Analysis in Overseas Operations." Harvard Business Review (March-April, 1966): 106-14.
- Madeheim, Huxley, ed. International Business: Articles and Essays. New York: Holt, Rinehart, and Winston, 1963.
- Martyn, Howe. International Business: Principles and Problems. New York: Free Press of Glencoe, 1964.
- _____. Multinational Business Management. Lexington Books, 1970.
- Massie, Joseph L. Management in an International Context. New York: Harper and Row, 1972.
- Mattelart, Armand. Multinational Corporations and the Control of the Culture. Humanities Press, 1979.
- Mazzy, Edward. International Marketing Administration. Chandler Publishing, 1967.

Miller, V. A. The Guidebook for International Trainers in Business and Industry. American Society for Training and Development, 1979.

Nierenberg, Gerald I. Fundamentals of Negotiating. Hawthorn, 1973

Prosser, Michael H. The Cultural Dialogue. New York: Houghton Mifflin, 1978.

_____. Intercommunication Among Nations and People. New York: Harper and Row Publishers, 1973.

Robinson, Richard D. International Business Policy. New York: Holt, Rinehart and Winston, 1964.

_____. International Business Management. New York: Holt, Rinehart and Winston, 1978.

Rubin, J. Z. and B. R. Brown. The Social Psychology of Bargaining and Negotiation. New York: Academic Press, 1975.

Samovar, Larry A. and Richard E. Porter. Intercultural Communication: A Reader. Wadsworth Publishing Co., 1972.

Sawyer, J. "Bargaining and Negotiation in International Relations." International Behavior, edited by H. Kelman. New York: Holt, Rinehart and Co., 1974.

Schelling, Thomas C. The Strategy of Conflict. Cambridge, Mass.: Harvard University Press, 1963.

Schiller, Herbert I. Communication and Cultural Domination. International Arts and Sciences Press, Inc., 1976.

Schneider, Louis and Charles Bonjean. The Idea of Culture in the Social Sciences. London: Cambridge University Press, 1975.

Schweigler, Gebhard L. National Consciousness in Divided Germany. Sage, 1975.

Shapira, Zur and Bernard M. Bass. "Settling Strikes in Real Life and Simulations in North America and Different Regions of Europe." Journal of Applied Psychology 60, 4 (1975): 466-71.

Smith, Alfred G. Communication and Culture. New York: Holt, Rinehart and Winston, 1966.

- Strauss, A. Negotiations: Varieties, Contexts, Processes and Social Order. Jossey-Bass, 1978.
- Stuart, Robert D. Penetrating the International Market. American Management Association, 1965.
- Swingle, Paul, ed. The Structure of Conflict. New York: Academic Press, 1970.
- Terpstra, Vern. International Marketing. Dryden Press, 1972.
- _____. The Cultural Environment of International Business. Southwestern, 1978.
- Tugendhat, Christopher. The Multinationals. New York: Random House, 1972.
- U.S. General Accounting Office. Contracts with Foreign Firms Should be Priced in Local Currency. July 1973.
- Watson, O. Proxemic Behavior. The Hague: Mouton, 1970.
- Webber, Ross A. Culture and Management. Richard D. Irwin, 1969.
- Zartman, ed. The Negotiation Process. Sage Publications, 1978.