

# Negotiating the Pentagon Way: The unclassified version



By Nigel Dunlop

The US Defense Procurement and Acquisition Policy (DPAP) is the Department of Defense's principal adviser on the acquisition and procurement of all major weapons and automated information systems ([www.acq.osd.mil/dpap/](http://www.acq.osd.mil/dpap/)). When one considers that the Department of Defense 2010 procurement budget was \$140.1 billion (according to the Wikipedia entry on the military budget of the US), it is likely that the DPAP knows a thing or two about negotiating a good deal.

Therefore, of interest to negotiators is that the DPAP website includes its Contract Pricing Finance Guide, which contains advice about how negotiations are best conducted. The following is a selection of what can be gleaned from two chapters of the Guide. Chapter 3 deals with negotiation preparation and Chapter 6 deals with bargaining techniques.

In my view, the fundamental precepts outlined below serve to illustrate that getting the basics right is the most important ingredient for successful negotiation.

## Negotiation preparation

### Need for preparation

Preparation is said to be the most important prerequisite to effective negotiation, for which the experience and bargaining skill of the negotiator cannot compensate.

### Preparation tasks

A sequence of nine preparatory tasks are identified as follows:

1. Establish a negotiation team appropriate to the situation.
2. Identify the negotiation issues and objectives.
3. Identify the other party's negotiation history and their probable approach.
4. Assess bargaining strengths and weaknesses.
5. Identify negotiation priorities and potential trade-offs.
6. Determine an overall negotiation approach.
7. Prepare a negotiation plan.
8. Present the negotiation plan for approval.
9. Prepare a negotiation agenda.

### Objectives may change during negotiation

Pre-negotiation objectives are based on information available at that stage, but may need to change as further information comes to hand.

### Bargaining power

Bargaining power is relative because each side has some degree of bargaining power based on the strengths and weaknesses of each party's case. Importantly, it is noted that bargaining power has to be perceived by the other party in order to have any effect on negotiations. More so, the power does not have to be real, so long as it is perceived.

### Prioritising issues

- "Must points": These are the issues where

concessions cannot be made because of their importance.

- "Give points": These are issues of relative low importance, but of possible value to the other party.
- "Avoid points": These are issues to be avoided in the negotiations.
- "Bargaining points": These are issues about which concessions may be made in return for concessions by the other party.

### Trade-off positions

For each negotiation issue, there should be an objective. Consideration should be given to several trade-off positions for each objective.

### Planning the order for addressing issues

There is no one right approach (at [3.6]):

- "One approach is to start with the least important issues and proceed to the more important ones. Concessions on several less important issues may limit or eliminate the need for concessions on a more important issue."
- "Another approach is to address issues according to the anticipated ease of reaching agreement. Early agreements hopefully will create an atmosphere of agreement that will continue as you proceed to the harder issues."

### Planning bargaining tactics

It is wisely said of negotiators that they should not try to become someone they are not. What works well for one negotiator does not necessarily work well for other negotiators. Therefore, negotiators need to choose tactics that suit themselves. That does not mean to say, however, that negotiators should never try new tactics.

## Bargaining techniques

### Aiming high

Generally, negotiators perform according to their expectations: the higher the expectation, the higher the prospects of achieving a good outcome. The key to establishing high expectations is to develop positive assumptions about one's bargaining position.

### Giving yourself room to compromise

It is said at [6.3] that:

"Even the most skilled bargainers must make concessions in order to obtain successful outcomes... [Y]ou need to develop a variety of positions that will permit you to demonstrate a range of apparently fair and reasonable positions. They will also permit you to demonstrate flexibility in making the concessions needed to reach a mutually satisfactory result... Never establish an unreasonable position just to give yourself room to compromise... Guard against this predicament by supporting your opening position with a valid rationale based on available facts and reasonable judgments."

### Putting pressure on the other party

A tendency for negotiators to be more aware of their own limitations than those of the other party is noted. And yet it is important to place pressure on the other party whilst limiting the pressure on yourself.

Ways of doing so include:

- Believing that there are unknown pressures facing the other party (and hence comparatively

your position is not as challenging as otherwise imagined).

- Identifying specific pressure points in the other party during the pre-negotiation preparation.
- Listening and watching during the negotiation for cues revealing pressures on the other party's negotiator.

### Not volunteering weaknesses

Information should not be disclosed which weakens one's own negotiating position or enhances that of the other party. This can normally be achieved by a careful choice of words and avoiding a direct response to a direct question (implicit here is the importance of not making dishonest statements).

### Using concessions wisely

It is said at [6.6]:

"Because compromise is a vital part of contract negotiations, most successful negotiators are masters of when and how to make concessions... Do not appear overly generous or rush to make concessions. Concede slowly and in small amounts... Link your concessions with the spirit of compromise."

### Saying it right

It is not what you say, but how you say it. The way in which things are said is vital to retaining good interpersonal relationships during the course of negotiations, the importance of which cannot be overemphasised.

### Satisfying non-price issues

It is said at [6.8] that:

"Most negotiations will not end in agreement unless both the price and non-price issues are satisfied... Never narrow down the objective of negotiations to just price issues. Look for non-price needs and the corresponding ways of satisfying the other party. Non-price needs are often difficult to identify because these issues are not specified by the other party."

### Using the power of patience

Patience can be used to:

- Increase the stress on the other party's negotiator.
- Demonstrate that your party is not over anxious for a settlement.
- Address emotions by demonstrating a willingness to proceed with or slow down the negotiations.

### Willingness to walk away from or back to negotiations

It is said at [6.10] that:

"Deadlock cannot always be avoided and, in fact, is sometimes necessary when dealing with unfair or unreasonable parties... However, good negotiators are neither afraid to walk away from bad deals nor too proud to return to the negotiation table once they realize a better deal cannot be obtained [elsewhere]... A walkout or even the threat of a walkout may be used to your advantage during the conduct of the negotiation, but not without some risk. The risk is that it may be very difficult to get the negotiation started again and back on track... Never walkout unless other alternatives appear more attractive. However, you must remain open to returning to the negotiation table if things change..."