

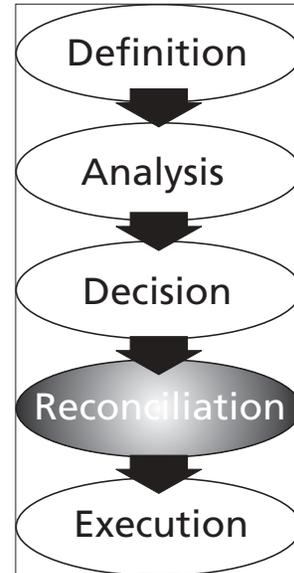
RECONCILIATION PHASE

You cannot shake hands with a closed fist.

-Indira Gandhi, 17 May 1982

AFTER WE HAVE DEFINED THE PROBLEM, completed the analysis and the decision maker has carefully weighed the alternatives and made a choice from the standpoint of our organization, we must consider how other stakeholders will receive our decision. Some of them may be able to modify our alternative, veto it outright, or inhibit its execution. During the Definition Phase, we identified external stakeholders and influences with an eye toward how this decision would be reconciled with those parties. During the Analysis Phase, we identified criteria that were important to our organization; now we will examine the criteria from the perspective of the other parties as well.

During the reconciliation phase, we revisit many of the choices that we or the analyst made in the course of doing the analysis. We may need to analyze criteria that are not important to our organization but are critical to selling our choice to others. The alternatives we rejected from the outset, or discarded when we chose an option, may be the preferred alternative of another stakeholder. If someone promotes a new alternative, we need to know how it affects our organization, especially if a mutual superior accepts that recommendation instead of ours. Once the decision maker approves an alternative for implementation, executing the policy or program requires that we plan for overcoming interference from competing interests and obstructionists.



Negotiation

The reconciliation process will probably involve negotiation. Negotiation is the process by which individuals work with peers, superiors, subordinates, and others to achieve agreement on issues in which they have a mutual interest but, quite often, no authority to dictate the outcome. Humans differ in their preferences, and are sometimes willing to fight for a cause or seek retribution when their positions are disregarded. Negotiations are therefore crucial for maintaining order in society at all levels, from the international community, through the state and local public forums, to the work place and home.

Additionally, negotiating skill is a hallmark of successful command leadership and effective management, because it is key to building consensus, getting individuals moving in the same direction, and accomplishing things they could not, or would not, do on their own. Those who refuse to negotiate and appeal all disagreements to higher authority are inevitably and justly

labeled as poor leaders. Likewise, those who are better prepared will eventually overwhelm others who attempt to sell their position on the basis of their strong personality without concrete analysis to support their position.

Reconciliation takes many forms. In its simplest form, it involves two parties and a single issue where both sides value the outcome about equally, e.g., two squadrons competing for a use of a bombing range. Force planning decisions are usually more complicated, involving multiple parties, multiple issues, and varying preferences (and strengths of preferences) for outcomes.

In this chapter, we will introduce some concepts and strategies for reconciling our organization's alternative with other groups. We will also examine negotiation at the individual and group level, and address scenarios we are likely to encounter as senior decision-makers in the Department of Defense.

Keep in mind that the fundamental basis of successful negotiating is *analysis*, not tactics. When we clearly understand our interests, those of the other participants, and the areas in which agreement is possible, 90 percent of the negotiation is completed. On the other hand, we may be superb tacticians at the negotiating table, but without an analytical grasp of the substance of the negotiation, we are as apt to negotiate our organization to failure as to success.

PARTICIPANTS

We have two negotiation goals: to have our preferred alternative adopted and to satisfy all stakeholders' interests. We know that different organizations have different values. We may be able to achieve our goals by helping other groups achieve theirs; for instance, we may exchange concessions on objectives of little value to us for concessions on goals important to us. If the other side *thinks* they achieved their goal, whether or not they actually did, or whether or not that goal is valuable by our standards, they will be satisfied. The more we know about the other participants, the greater the likelihood we will achieve our goals through negotiation.

CULTURAL DIFFERENCES

In order to negotiate with other participants, we should examine our cultural differences and understand others' interests and their style of negotiation. For senior defense professionals, this aspect has become increasingly important as we engage in more coalition operations. There are distinct national cultural approaches toward negotiation. Americans tend to prefer a direct approach that conserves time and reaches a definite conclusion, often summarized as "time is money." Many other cultures consider trust engendered by enduring relationships as an extremely important prerequisite to serious negotiations. They will invest considerable time developing personal communication before they are comfortable discussing a serious problem. They see professional relations as open-ended and the current issue as one of many that the participants will address over the long-term. Therefore, when they say, "time is money," they mean the time spent building an atmosphere of trust and cooperation now will be rewarded later during the reconciliation of many issues.

Additionally, the seniority of the participants may affect the level of discussion during negotiations. In some societies, senior officials negotiate in terms of broad principles only and leave the details to be worked out among functionaries once they have settled upon a general agreement. Cultural differences are not based solely on nationality and religion. There are significant cultural differences in force planning among the services and between warfare and staff communities such as aviators, surface warfare officers, submariners, and supply officers.

PERSONALITIES

Negotiators sometimes have motivations and agendas that are markedly different from the position we expect from their organization. This difference may be a deliberate negotiation tactic or it may be real. First, we must ensure this does not happen between our negotiators and our organization. Second, this kind of discrepancy may present several opportunities. For example, we can “educate” the other participants about their organization’s interests and thereby move toward a coalition or agreement, or we can exploit this separation. The latter course of action may lead to a tactical victory but damage the long-term relationship between our organizations. Moreover, each individual negotiator may seek personal satisfaction in addition to organizational success. Negotiators want to feel good about themselves, they want to avoid being boxed into a corner, and they want to be recognized as having done a good job. We should consider those emotions as we negotiate.

Additionally, we often deal with characters who behave badly. Nonetheless, we must learn to separate people from problems. All too often we fail to negotiate seriously with someone we do not like for personal reasons, even when there are opportunities for good solutions. This is not to say that bad behavior should be ignored or accepted, but it should be separated from the problem we are trying to solve. Aggressive or negative behavior may actually be a negotiating ploy by another participant; however, how we react, if we react, is our choice and is situation-dependent. We should gauge our reaction to how deliberate we consider the offensive activity, whether it is sexual harassment, name-calling, or obstructionism. We should also consider whether the negative behavior is due to shortsightedness or ignorance. Good ideas and proposals may come from unlikely sources; we must judge each on its merits, not its source. We should not allow some people’s unpleasant nature to intimidate us into modifying the foundation of our negotiation strategy (we may, however, adjust our tactics).

INTERESTS AND POSITIONS

Before we enter into negotiations in the Reconciliation Phase, we need to identify our initial position and our interests. In our vocabulary, interests are enduring activities, rights, and concerns that are connected to our organization’s mission and core values. Interests are not variable or negotiable. Positions, on the other hand, are flexible; they are our place or standing relative to our interests. Positions protect or advance our interests. For example, the Air Force needs a new fighter to guarantee it can achieve air superiority in the future; therefore it is advocating procurement of the F-22 Raptor. Its interest is air superiority; its position is buying no less than 339 F-22s. Reconciliation generally requires that we form a consensus among many participants, each of whom has his own interests and begins with a position on the problem.

We can usually discern the differences between our position and the other participants’ positions. Identifying their underlying interests may be much more difficult, but the more we understand their interests, the better we can determine how much room they have to adjust their positions. The assumptions and criteria the other participants used to select their own optimum solution to the problem may reveal their interests. If we can satisfy their interests using another alternative—preferably our alternative—we may convince them to change their position. This is a key concept in negotiation.

One of the most common sources of conflict is the adoption of different assumptions and criteria to evaluate the alternatives. If we can agree on *a common set of objective assumptions and criteria* with the other participants, we may eliminate many important differences about which

alternative best solves the problem. Whether we can find such a set depends upon whether our interests are compatible with those of the other organizations.

Expert military judgment, our usual basis for selecting criteria, may be grounded in beliefs based on our organizational culture that are fundamentally opposed to those held by other participants. Despite these differences, we may find grounds for mutual agreement because there is nearly always some interdependence of interests among some of the parties in any complex decision. This interdependence may be created by a continuing relationship between some participants who place a higher value on maintaining comity than on any particular decision. For example, the need for harmony among the Joint Chiefs of Staff often overwhelms parochial differences among these Service Chiefs. Additionally, participants in force planning may be mutually dependent on each other for support in other forums; e.g., the unified commanders often coordinate their positions with each other before the Joint Requirements Oversight Council visits them to discuss issues.

Likewise, separating interests from positions is a necessity for resolving labor disputes on DoD installations and for defense contractors. Labor and management often have an adversarial relationship. Labor would like to be paid more and management would like to show a greater profit by cutting labor costs, but they are dependent on each other to achieve their objectives and protect their interests by ensuring the company survives. Both parties can promote their own interests if the company makes more money. Their positions differ on how profits are distributed, but if they can agree on a solution that increases the money both sides receive—higher wages for the workers *and* greater profits for the company—both sides benefit. Their positions will shift, but they should be able to reach an agreement because of the interdependence of their common interests.

PRESSURE FOR AGREEMENT

Participants in reconciliation are under pressure to reach an agreement. That pressure may lead them to make concessions in order to form a consensus. DoD is a consensus-oriented bureaucracy. Senior officers regard a leader as ineffective when his/her organization is unable to reach accord with other groups and he/she continually forces decisions upward. A contractor may be under financial pressure to complete an agreement because his creditors demand immediate payment. The military may need a critical piece of equipment in order to conduct a particularly time-sensitive mission. As we enter negotiations, we assume that we are not the only ones under pressure to reach agreement; we would especially like to know what kinds of pressures the other participants are under.

AUTHORITY

When negotiating we also desire to know in advance who has the approval authority for an agreement (for each participant) and whether that authority will be present for the negotiations. Negotiators sometimes conceal or misrepresent approval authority as a negotiating tactic; therefore we cannot assume a party has such authority by virtue of participating in the negotiation. Generally, we recommend negotiating with the highest-level individuals possible from the other organizations, because this conveys several tactical advantages to us. For instance, higher authorities are generally less conversant with the details of an issue and they are inherently disinclined to let details block an agreement. Also, senior leaders are more pressed for time and therefore motivated to reach an agreement quickly. (Of course, these factors can also work against us when contractors approach senior DoD leaders and press them for decisions without

allowing input from their more knowledgeable subordinates or operators.) Moreover, higher authorities have greater latitude to make concessions and will do so to sustain long-term relationships. Senior corporation officers generally value a customer like DoD more than their middle management does.

Who else has the power or influence to affect decisions during reconciliation? The answer may have a large effect on how a negotiation develops. Senior leaders, action officers, and acquisition specialists in DoD often rely on the advice of operators to determine which alternative their organization will support. *Cui bono* (which means “to whose advantage”) is the principle that those who have the greatest stake in the outcome are most likely to work hardest to influence the decision. For example, in force planning decisions, usually the soldiers, sailors, airmen, and marines have the most to gain or lose. Contractors know the Pentagon usually solicits the operators' opinions before they select criteria and that DoD values their military judgment about the problem and alternative solutions. Therefore, contractors may lobby the operators directly, hoping they will influence the decision makers to favor their alternative.

TEAM NEGOTIATIONS

Negotiating using a team from our organization has advantages and disadvantages versus sending a single participant. Each negotiation has a setting and we should determine whether the other participants are bringing teams and, if so, the general composition of those teams. We do not want large asymmetries between our team and theirs. Sometimes we may choose to send a slightly larger or more senior team than the other participants as a statement that this issue is important to our organization.

Team leaders must strike a balance between giving their representatives enough flexibility to negotiate independently, and not allowing them so much freedom that they present conflicting proposals to the other participants. Teams may include a variety of specialists to capitalize on expert knowledge. In so doing, each member can negotiate his segment of an agreement simultaneously, and the specialists are on-hand and readily available for consultations with the team leader. Team negotiations also allow a wider range of negotiation strategies. We can test an idea (a trial balloon) to get responses with the understanding that the proposal is contingent, i.e., we cannot commit to it without speaking to our colleagues first. Moreover, teaming allows members to play diverse roles. One can play the role of the tough guy, while others speak softly, gain trust, and gather information. In fact, coalitions may develop between team members and participants from other organizations' teams. Just as in battle, organization and intelligence are keys to success. We need thorough knowledge of each alternative's effect on us, and a team may be able to make this assessment quickly and effectively on site.

The disadvantages of team negotiations stem from coordinating simultaneous actions by the team members. Each member must be thoroughly grounded in our current position and know how much he or she can concede. Additionally, disruptive coalitions and disputes may develop within our team. Also, teams diminish personal accountability for everyone except the leader; in so doing success or failure is shared. Moreover, the decision hierarchy necessary in a team may slow momentum toward agreement as members feedback their individual status. Finally, because of the shared sense of responsibility, teams tend toward deadlock more than individuals.

POWER AND INFLUENCE

Power during reconciliation is the ability to coerce or direct the actions of others while influence is the ability to affect the behavior of the participants. Different combinations of power back the positions that negotiators assume. Participants can exercise power and exert influence from many bases:¹

- Coercive Power—the holder can inflict punishment.
- Reward Power—the holder can bestow something valuable.
- Legitimate Power—rules, values, or conviction convey moral superiority.
- Referent Power—charismatic qualities cause unquestioning confidence.
- Expert Power—specialized knowledge conveys better and more impressive technical understanding.
- Representative Power—democratic delegation of power by a large group.
- Connective Power—the holder is linked to a major power broker outside the negotiation.
- Information Power—the holder has key information that is required for a successful agreement.
- Coalition or Alliance Power—several participants unite to overwhelm a single strong power or another combination of participants.

There are also more subtle sources of power and influence during negotiations; the shape of the table sometimes is actually important. Those in the middle of a room, or table, are closer to the center of the conversation than those on the fringes and therefore they have more opportunity to participate in and dominate the discussion. Holding meetings in one participant's office implies he has more influence over the discussion because the other participants came to see him. Physical size can be intimidating. Even differences in chair heights create perceptions. Although these "status" items may not be important to us personally, many negotiators are very sensitive to their surroundings and interpret them carefully; if we ignore or dismiss these details, we may inadvertently send the wrong signals.

Additionally, some participants may gain influence during a negotiation because their social status conveys a certain type of authority, e.g., clergymen assume an air of legitimate power on moral issues and officers who rose up from the ranks are afforded expert power on issues regarding enlisted personnel. Professional reputations for expertise and honesty generate power, as does the popular mandate that results from an election.

Strategies

We should plan a flexible reconciliation strategy. That means we must know, before the negotiations begin, the issues, and how important and urgent they are to the other participants and ourselves. We know which alternative we prefer and should try to find out the alternatives others are promoting. We should decide in advance how we will protect and advance our interests and how we will respond to the tactics and positions of others. We may use overlapping approaches and include various what-if branches, but we absolutely must begin with a game plan.

GENERAL APPROACHES

There are two basic philosophical approaches to negotiations. The first mode is variously described as the Zero Sum, Win-Lose, Competitive, or Traditional approach. It is a hard-nosed

1. Based on "Power and Influence" by William E. Turcotte (Newport, RI: Naval War College faculty paper, March 1997).

technique: if one participant wins, the other must lose. Typically, we view internal DoD budget negotiations this way; every dollar gained by one participant is a dollar given up by another. In a competitive negotiation, we pressure some parties to join coalitions with us and force others to change their positions more to our favor. Often, an agreement is not possible and an adjudicator decides how to allocate resources after evaluating the positions of each participant. This mode emphasizes the positions taken by each participant.

The second approach is called the Mutual Gains, Win-Win, Both-Win, Interest-based, Value-Building, or Cooperative approach. This view envisions all the reconciliation participants working together to reach a solution that satisfies each of them. Ideally, we seek to increase resources or find ways to share them, e.g., all the services share the overhead for helicopter pilot training to reduce each of their costs. The focus in this mode is not on winning or advancing our position, but on the overall outcome and meeting the interests of each participant. There are two fundamental methods for improving the outcome for all the participants: (1) add value by increasing the group's resources and (2) find asymmetric values that participants can trade with each other, i.e., one participant may concede on an issue of low importance to him in exchange for a concession by another on an issue he values highly. This is why we emphasize separating interests from positions.

For most decisions, the most successful negotiations are a mix of both approaches. People intuitively gravitate toward the first approach, but negotiators actually realize the greatest success from the mutual gains approach. For example, suppose we are procuring some specialized radios for ground forces. Our annual budget is limited but steady. The current manufacturer can supply the radios and offers them at a high price. Typically, with a zero-sum approach, our position would be to press for a lower price or threaten to open the contract to new competitors. The company would hold out as high and for as long as possible. Under a mutual gains approach, we might offer the company multi-year contracts to reduce their costs with the expectation that they will lower their price to us. We should use a mutual gains strategy wherever possible—its advantages seem obvious—but we must be prepared to shift to the competitive form if we cannot find a basis for mutual gains or if the other parties are unwilling to cooperate.

CONFIDENCE BUILDING STRATEGIES

One commonly successful negotiation strategy is to break a problem into smaller segments and solve them individually (as we considered in the Definition Phase). At the outset, all parties acknowledge that the agreements they make on each segment are contingent on a complete solution to the entire problem. Breaking a problem into parts facilitates agreement by making trade-offs easier to identify. From there, we can take either of two approaches. The first mode is to "pick the low hanging fruit" by reaching early agreements on the issues in which there is little contention. This builds mutual confidence among the negotiators and creates an atmosphere of cooperation as we approach the tougher issues. This approach is often necessary when the stakes are very high for the participants and there is great distrust between them. For instance, the negotiators that brokered the 1993 Oslo Accords between the Palestinians and the Israelis used this technique. They reached agreements about smaller issues like combined Israeli and Palestinian police patrols and incremental transfers of land to Palestinian control. They left larger issues, like the fate of Jerusalem and Palestinian independence unresolved while they waited for the smaller steps to build confidence between the parties. By breaking the problem into smaller segments, they made the risk of failure of any one part of the Oslo Accords an acceptable risk to

both sides. They also stipulated that further progress toward a permanent peace was contingent upon the success of these smaller agreements.

The other approach is to work on the tougher issues first to reduce the time negotiators spend on the easier parts of the problem. The less contentious issues should fall in place quickly after the parties resolve the hard issues. If, as we proceed through the tough issues, we cannot settle a particular segment, we set it aside and work on the next part. Each resolution of a tough issue builds confidence among the negotiators and that confidence leads to greater cooperation. On the other hand, if we have irreconcilable differences with other parties, we will find out early in the process and end the negotiations without expending many resources.

Linking the segments of a negotiation allows both parties to maintain a positive demeanor during the negotiation because of contingent if-then agreements. Rather than rejecting unfavorable proposals, each participant can approve them if they are linked to significant concessions in other areas.

GAME THEORY AND THE USE OF NEGOTIATION GAMES

Game theory has been used for over half a century to help us understand why people, businesses, and governments act as they do in a variety of situations. Games help us prepare for more sophisticated negotiations by practicing negotiation under less threatening conditions. Everything from economic decisions among competitors to arms control has been subjected to analysis through game theory.

The simplest form of negotiation games is the zero sum game. These have equal but opposite payoffs for each participant for a single move or a series of moves. Whatever one player wins, the other loses. These are games of pure competition that do not foster cooperation because the collective payoff is always zero, no matter what strategy either side follows. The limited range of outcomes (I win, you lose) affects behavior, but negotiations are seldom worthwhile because of the initial conditions.

Other games, however, have payoffs that vary. The payoff depends upon how the players interact. The simplest example of this non-constant sum game is the Prisoner's Dilemma. Although simplistic, the principles it illustrates are key to understanding and succeeding at negotiations. The police apprehend Bob and Sue, two perpetrators of a crime. They separate them immediately upon their arrival at the police station. Each suspect is given a choice of confessing and implicating his or her partner, or not confessing. Should one confess while the other remains silent, the stoolie gets off with probation while the other goes to jail for 20 years. If both confess, they both go to prison for ten years each. If both keep silent, they will each receive a one-year term for lesser offenses. In game theory format, the payoffs for each combination of decisions will look like the following matrix, in which the payoff (years sentenced—*low numbers are good!*) for Sue is always the *first* number, and that for Bob is the *second*.

Payoff [=] Sue, Bob	Bob confesses	Bob doesn't confess
Sue confesses	10 years, 10 years	Probation, 20 years
Sue doesn't confess	20 years, probation	One year, one year

Table 11-1. Prisoner's Dilemma Payoff Table.

As the payoff matrix shows, Prisoner's Dilemma is a non-constant sum game with symmetric outcomes. The sum of the outcomes, years in jail, for the group is one to twenty years, depending upon Bob's and Sue's choices and how they combine. It is not a zero-sum game because the gain for one person is not necessarily mirrored by a commensurate loss by the other. The outcomes for each participant are parallel (their incentives and payoffs are the same), so the game is symmetric.

Place yourself in Sue's situation. If she confesses and betrays her partner in crime, she will either go to jail for 10 years, or get probation. If she does not confess and refuses to incriminate Bob, she will definitely go to jail, either for 20 years or for one year. How should she decide whether to confess? Should she consider Bob's behavior since his decision affects her outcome? If Bob confesses, she should confess for the lesser penalty of 10 years in prison instead of 20. On the other hand, if Bob does not confess, Sue is still better off if she confesses because she will not go to prison at all. Her individually rational position then, is to confess. Sue's decision tree looks like figure 11-1.

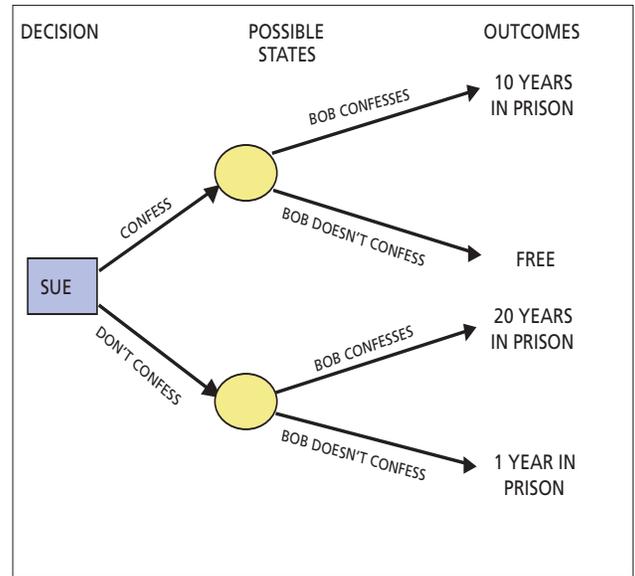


Figure 11-1. Prisoner's Dilemma Decision Tree.

Bob faces the same choices. His reasoning is identical to Sue's and he confesses, too. They both go to prison for ten years. Clearly, as a team, both would have been better off by not confessing and going to prison for a year each and being released young enough to enjoy their ill-gotten gain. However, since they are unable to communicate prior to or during the game, both rationally select the dominant personal strategy, the one that maximizes individual payoffs. How do the results of Prisoner's Dilemma help us understand complex negotiations? They illustrate clearly that individually rational behavior aimed at maximizing personal gain can result in worse group outcomes than *seemingly* irrational individual behavior.

Why, you might ask, would they both not see the possibility of helping each other by refusing to confess? Perhaps one or even both did. However, then they must ask themselves whether they can trust the other person to see the opportunity, too, *and* act upon it. Assuming there are no emotional bonds complicating the decision, without communication, the rational individual choice for either Bob or Sue is to defect from the group-beneficial strategy of silence and confess in order to avoid even a year in jail. Thus, even a prior arrangement to stick together may not hold after they are captured and must actually decide whether to confess. Does Prisoner's Dilemma imply that negotiations can never be undertaken in good faith? Not necessarily, but it drives home the importance of knowing, or trying to discern, what your opponents see as their best personal outcome, whether there is a more positive group outcome possible, and devising your own strategies accordingly. Prisoner's Dilemma also drives home the value of genuine mutual trustworthiness and clear communication.

THE TIT-FOR-TAT STRATEGY

By limiting the Prisoner's Dilemma to one move and prohibiting communication between the prisoners, each participant's rational choice is his or her dominant strategy. Bob and Sue opt to confess to optimize their personal outcome regardless of the other's move since that move is unknown. If we allowed the game to progress beyond one move, we may allow Bob and Sue to build

the basis for cooperation if they use their moves to communicate their intentions. Professor Robert Axelrod of the University of Toronto iterated Prisoner's Dilemma to explore optimal strategies under this new condition with the help of game theorists in a round robin tournament.

They discovered that a strategy called Tit-for-Tat (literally "an equivalent given in return") is the most successful overall approach to Prisoner's Dilemma. Players begin executing this strategy by cooperating² on the opening move then mirroring the move of their opponent. Cooperative moves by the opponent then lead to mutual cooperation, while defection by the opponent results in both players defecting. The basis of a tit-for-tat strategy is the inherent communication of the move itself. If Sue were to employ this methodology with Bob, she signals him by responding in kind to his last move. She is telling him she will cooperate for mutual benefit if her cooperation is reciprocated. She is also telling Bob she is willing to retaliate if he will not cooperate.

The dilemma of all cooperative games is that at some point an individual player is tempted to defect in order to maximize individual gains. If the participants know exactly how many moves they will be allowed, they have a powerful incentive to cooperate until the last round.

TIT-FOR-TAT STRATEGY

- Cooperate on the first round to demonstrate a desire for mutual gains.
- On each successive round, copy what your opponent did on the previous round.
- On the last round, defect to maximize personal gain with no risk of retribution in the future.

They may then defect to maximize their individual outcome—without providing the opponent an opportunity to retaliate. The opponent, however, may anticipate this move and defect on the next to last move to preempt being so caught, and so on.

To prevent a series of preemptive defections from backing all the way up to the first round and keep participants in a cooperative mindset, there are several conditions we can create to achieve success with a Tit-for-Tat strategy:

- The relationship between negotiating parties must be open-ended; there can be no last turn. While the current issue may be resolved, there will be more issues involving these participants in the future.
- The future payoffs, those that will accrue from continuing cooperation, must be large enough to offset the immediate gratification of defection. This underscores the importance of understanding the value you and your counterpart place on possible outcomes.
- Do not get trapped in a competitive mindset by comparing your gains to your counterpart's to measure your success. In non zero-sum games, your payoff does not have to come at the expense of the other side.

In DoD, our negotiations cover a wide variety of topics but often involve the same people or organizations. We have a natural set of continuing relationships and therefore it is usually in our best interest to cooperate throughout negotiation to build long-term trust and confidence. Each of us has probably seen the chill that develops around an organization or individual that relies

2. In the case of Bob and Sue, the Cooperative strategy is "Don't confess" because they are cooperating with each other (not the police); their Defect strategy is to confess.

on defection to maximize their individual gain and the lasting damage that a lack of trust causes when they try again to participate in negotiations. We should defect only when our cooperation results in a truly unacceptable outcome. Even then, our defection should be clearly based on our interests, not on maximizing a position at the expense of our opponents.

ASYMMETRIC VALUES

So far, we have illustrated the basic problem of achieving cooperation between parties who have a symmetric and mutually understood payoff matrix. Now we are going to introduce asymmetries in the value of outcomes in the payoff matrix. Sometimes, identical outcomes are more important to one organization than another. A \$50 loss or \$200 gain may not be as important to a wealthy individual as it is to a poor one.

This value or utility difference creates some interesting possibilities for bringing groups together. For example, when the Navy and the Coast Guard negotiate the defense features (paid for by the Navy) that will be incorporated in a new Coast Guard cutter, the features usually amount to a few million dollars for each ship. The Navy considers variations in these costs modest because the defense features of Coast Guard cutters are a very small portion of the Navy Shipbuilding and Conversion budget. The same changes in similar Navy ships would be barely noticeable and hardly discussed within Navy budget circles. To the Coast Guard, however, these changes and their spillover effects (like additional spare parts and crew manning) introduce costs to the Coast Guard that are a significant portion of their budget and will require sacrifices in other areas. If the Navy wants to add the features, it has to provide an incentive for the Coast Guard.

We can combine issues with asymmetric values to produce mutually acceptable agreements. Suppose we have a problem that has several viable solutions and we need another organization to agree on the alternative we will recommend; effectively, they have a veto. Imagine we are on the Navy Staff and we have invested in a data link architecture that requires specific protocols between using units. We know that the Joint Staff and the Office of the Secretary of Defense are going to review proposed standards for joint data protocols and we want them to adopt ours instead of two other candidates (X and Y) proposed by contractors. The Air Force is the other major stakeholder concerning this data format. Our counterparts on the Air Staff have not committed to a particular data protocol, but both contractors' formats are more compatible with their existing equipment and less costly (to the Air Force) than the Navy-preferred format.

We also know that Navy and the Air Force have different views on the air control procedures for interceptors. The Navy, using data links between fighter aircraft and controlling platforms, minimizes voice communication between units and relies on the data network to relay most of the tactical information to the interceptor aircrew. The Air Force relies less on data links for fighter control and often uses broadcast control procedures that are based on providing (voice) bearing and range calls from various kinds of reference points, one-way voice transmissions from controllers, and more local (autonomous) control of the intercept by the aircrew. If the Air Force accepted the Navy style of interception, they would require more and different equipment and expensive training. On the other hand, the Navy, although it prefers the use of data links, is comfortable using broadcast control.

A payoff table for the two staff organizations on the two issues looks like this:

Alternative	NAVY			USAF		
	Cost	Benefit	Utility	Cost	Benefit	Utility
Navy Data Format	Low	High	88	Medium	Medium	25
Contractor Data Format X	Medium	Medium	31	Low	Medium	32
Contractor Data Format Y	High	High	22	Low	Medium	38
Network (Data Link) Control	Low	High	75	High	Medium	20
Broadcast Control	Low	Medium	65	Low	High	89

Table 11-2. Navy and Air Force Preferences for Two Linked Issues.

By examining either issue in isolation, the Air Force and the Navy have clear individual preferences, based rationally on cost and benefit, which are contrary to the other services. There is no incentive for them to cooperate and support each other—until we consider both issues together. (Note the relatively small differences in utility value in table 11-2 to each service for its less important issue.) The asymmetric values of the alternatives can lead both organizations to agree on using the Navy data protocol and proposing Air Force (Broadcast Control) fighter interceptor procedures as joint doctrine.

VALUE CREATORS AND VALUE CLAIMERS

David Lax and James Sebenius³ describe negotiators as members of one of two camps: value creators and value claimers. Value creators construct agreements that produce mutual gains for all parties while value claimers use a competitive or win-lose approach. Negotiators create value in a bargaining process when they make tradeoffs and introduce more issues to link to the problem. By expanding the basis for agreement, at little individual cost to each participant, value adders exploit asymmetry to garner consensus.

Value claimers tend to see this emphasis on joint gain as naive, weak-minded, and a failure to recognize that power is at least as important as legitimacy to achieve a negotiated outcome. To value claimers, if one side wins the other must lose. This observation is not a negative judgment on humanity; it is a pragmatic assessment of negotiation. Value claimers enter negotiations by overstating their position, disparaging others' concessions, and waiting out their opponents. They think any other position invites disaster and that concessions and tradeoffs equate to weakness.

Actual negotiation, formal or informal, includes value claimers and value creators. Furthermore, any single participant may assume either role under different circumstances. Few agreements are possible without some value-adding steps, and no agreement is brought to closure unless some value is claimed.

AVERAGING

A common negotiation strategy is to split the difference between the parties' positions. This technique may lead to agreement when the risks are too high to forgo a settlement or if the participants' positions are fairly close. It is also a convenient strategy if the value of the alternatives (costs and benefits) is low to each side. Cunning negotiators, particularly value claimers, may

3. See David A. Lax and James K. Sebenius's book *The Manager as Negotiator: Bargaining for Cooperation and Competitive Gain* (New York: The Free Press, 1986)

exploit the unwary with averaging by opening negotiations with extreme or unrealistic positions, hoping to compromise their way to a favorable outcome by splitting the difference or meeting in the middle between opening positions. If we prepare well for negotiations by understanding the interests of the other participants and the context of the problem, we will quickly identify and discard outrageous opening positions. This strategy can also backfire on its practitioner; by offering to meet in the middle, the negotiator has identified an acceptable agreement that effectively becomes their new position, far from the previous level.

SCORECARDS

Successful negotiation requires careful analytical groundwork. We accomplished much of this preparation during the Analysis Phase by using a rational approach to choose among the alternatives. The analysis and the models we constructed to make our decision are also valuable during reconciliation. Now, as we prepare for negotiation, we should make a scorecard for each participant, including ourselves. On it, we list the interests, positions, and how the different outcomes affect each participant. We determine which of the possible outcomes are acceptable to us, and their relative desirability, and then do the same for the other participants. The scorecard may be figurative or it may be a document. We accept that our evaluation of the other participants may be imperfect, knowing that we can update the scorecard during the negotiation. As we develop these scorecards, we ask questions like:

- What is our threshold for an agreement? What will cause us to walk away from these negotiations?
- What are their interests? Are the other parties more concerned about budgets, schedules, or effectiveness?
- Can we determine how they selected criteria and which they emphasized?
- Can we derive their interests by examining their initial position or the criteria they selected?
- Are they under pressure to reach an agreement?
- Where can they afford to give concessions?
- Where can we make concessions and will they have significant effect on others?
- How do the parts of this problem connect to each participant and are there other issues we can introduce to add value (or sweeten the pot)?
- How do these parts link to each other? What is the general form of the most likely branches and sequels of the negotiations?

Thus, we identify possible outcomes and targets instead of entering with vague intentions to do well. Using a system similar to evaluating criteria on the basis of their utility, as we discussed in Chapter 6, we identify the milestones that we will try to reach during reconciliation. Our scoring system may be based on dollars, billets, arbitrary points (utility), or any other methodology suitable to the situation.

The first milestone is the worst possible outcome, the result of negotiations failing completely and stakeholders making the worst possible decisions from our point of view. Next is the minimum acceptable outcome, the least desirable outcome we will agree to under any circumstances. Another threshold value for negotiations is our Best Alternative to a Negotiated Agreement, or BATNA. It is the best outcome that we can achieve in the absence of negotia-

tions or if we cease negotiations without an agreement. As we prepare scorecards, we need to identify our BATNA carefully. Naturally, we should not consent to an agreement unless the value of its outcome exceeds our BATNA. Our BATNA may be above or below our minimum acceptable outcome; if it is below, then we are under great pressure to reach an agreement. Our scorecard will also contain the expected or most probable outcome and our optimal, target, or ideal outcome.

After we have assessed and listed our own range of outcomes, we turn to the range of outcomes for the other participants. For each, we "estimate" their minimum acceptable outcome, BATNA, expected outcome, and ideal outcome. We may be able to detect which other negotiators are under pressure to reach an agreement. Thus, we conclude who is negotiating from a position of strength and the basis of their strength, which may also help us detect their bluffs. There will be overlaps between our range of acceptable outcomes and the range of acceptable outcomes for the other participants. This overlap is called the zone of possible agreement; if there is no overlap at all, then there is no reason to negotiate.

Next, we craft an optimistic opening position, which is probably near our ideal outcome level because research shows that those who begin with positions near their goal are closer to achieving them when negotiations conclude. We prepare a list of arguments for and against our opening position and a list of arguments for and against the other side's expected opening position. When negotiating, naturally we present only our positive arguments while being ready to respond to counter-arguments. The other participants are likely to do the same.

BUILDING A SCORECARD: JOINT TARGETING

After the Gulf War, many in DoD recognized the need to better identify and attack mobile targets, e.g., Scud missile launchers, in order to reduce the time between their detection and attack. The Joint Staff hosted several meetings with the services in order to chart a way ahead to support the future procurement of time-critical targeting automated information systems that would fill this need. Because each service had for some time aggressively attempted to solve the problem individually (incurring much sunk cost in the process), the Joint Staff felt an urgency to establish defense-wide standards to ensure interoperability between them. A Joint Staff officer's scorecard before the negotiations might have looked like this:

Joint Time-Critical Targeting Standards Scorecard	
Joint Staff J6 Directorate	
<u>Range of Possibilities from Negotiating</u>	
• Worst Possible Outcome	Each service develops duplicative and non-interoperable software.
• Minimum Acceptable Outcome	Services agree to liaison with counterpart program offices to ensure interoperability.
• Most Probable Outcome	<ul style="list-style-type: none"> ○ Services agree to do more in-depth exploratory analysis before committing to future development. ○ Services do a competition selection of software to create a single joint standard. ○ Services sign a Memorandum of Agreement to share funding responsibilities.
• Best Possible Outcome	<ul style="list-style-type: none"> ○ Identify a service as the Executive Agent for all DoD time-critical targeting software. ○ The Executive Agent subordinates themselves to a Joint Staff-led requirements and configuration control process to ensure each service's needs are met. ○ Each service agrees to ignore sunk costs and only use the new joint standard software for future programs and retrofits. ○ The Executive Agent funds all future software developmental costs.
<u>Best Alternative to a Negotiated Agreement</u>	
	○ Status Quo: Each service continues to develop its own duplicative software.
<u>Service Interests</u> (The Army, Navy, and Air Force all had similar interests.)	
	<ul style="list-style-type: none"> • Protect existing programs (sunk costs). • Maintain control of their budget authority. • Obtain funding support from other services.
<u>Service Positions</u>	
	<ul style="list-style-type: none"> • Offer to become the DoD Executive Agent – including funding and standards oversight – for all DoD time-critical targeting software. • Existing programs are too far advanced to be abandoned.
<u>JS J6 Opening Position</u> (Same as Best Possible Outcome.)	
	<ul style="list-style-type: none"> • Identify a single service as the Executive Agent for all DoD time-critical targeting software. • Consolidate DoD funding under the Executive Agent for all future software developmental costs. • Push the services to accept a Joint Staff-led requirements and configuration control process to ensure each service's needs are met. ▪ Push the services to agree to use a single standard, to be determined, for future time-critical target information processing programs and retrofits.

RECONCILIATION TACTICS, TECHNIQUES, AND PROCEDURES

Throughout negotiations, we keep track of each party's current proposal and how their proposals have changed over time. We are constantly seeking opportunities to move closer to an agreement. As we take part in negotiations, we use these rules of thumb to achieve an optimal outcome:

- *Find weaknesses.* Determine what is pressuring the other participants for an agreement, where their interests are vulnerable, and then exploit them or openly help to protect them to gain leverage.

- *Do not present the other side's position.*
- *Delay.* Ponder every little thing. Be prepared to use all the time available, even when agreement is close early in the process, because negotiators tend to concede more at the end of negotiations when there is a risk of losing the agreement. Do not settle too quickly unless we have our goal. Fast deals may include dangerous oversights.
- *Proceed incrementally.* Control the process and make many little moves rather than a few sweeping ones so we can carefully track our concessions and gains.
- *Collect intelligence.* Test the assumptions we made to build our scorecards. Ask for information from the other parties such as worksheets and studies. Reveal as little as possible about our own pressures.
- *Reduce risk.* Spread risk among the participants so that it is not dangerous for any one participant to buy into the agreement.
- *Consider legitimacy.* Data can come from many sources, but the way it is packaged can give the impression it is more legitimate, e.g., bound, glossy books, instead of hand-scribbled lists and sketches.
- *Be careful directly contradicting another party.* Challenges invoke ego responses that may shut down negotiations.

CONCESSIONS

Handling concessions is an inevitable part of negotiation and a delicate skill that we need to develop. There are several general principles we should consider as we modify our negotiating position. If another participant makes a large concession early, it is an indication he or she probably can still give a lot more. Our concessions should be small, giving the impression we are already close to our BATNA. When we decline an offer, any offer—even if it meets our requirements—the other participants are likely to wrongly assess our position and concede more to reach an agreement.

Concessions should appear painful. To preempt further requests, we should make our minor concessions appear to be very important before we present them. We should try to make the representatives from other organizations appear successful. Giving in slowly makes the other negotiators look like they did a good job. Our concessions should be infrequent because we make them only to get the reconciliation moving again. We should make participants compete with their offers, i.e., by telling each of them (individually) they must do better to satisfy us (the “krunch” tactic).

For every concession we make, we should try to maximize our return and minimize our cost, e.g., “we will provide the instructors if you fund their travel.” Naturally, we make concessions in areas that have less value to us and more value to the other participants. We may refer to a “third party restrictive force” outside the negotiation that limits our ability to concede more, e.g., “This appears feasible, but my superior has to approve it.”

We should be especially careful as the deadline approaches. Big movements happen as participants weigh the risk of no deal against their BATNAs and the time and effort they have already invested in the negotiation. When an agreement is wrapping up, search for small additional concessions, e.g., free documentation, consulting, shipping, or warranty repairs to reduce total ownership cost. We may expect the other participants to employ these same tactics. For example, if we successfully nibble at the end of an agreement, we may find each new item listed in a detailed invoice marked no charge to ensure we “know” the value of each concession.

ATTACKING EXPECTATIONS

During the negotiation, we want to convince the other participants that they have set unreasonable milestones and that the final agreement is likely to be much further toward their minimum acceptable outcome (and our ideal outcome level). If they want an agreement with us, they will have to make bigger concessions than they had planned. Any number of negotiating tactics may affect the other participants' expectations about possible agreements, even if the effect is only psychological. For example, "flinches" are deliberate body language or verbal reactions we use to attack other participants' expectations, such as, "That's more than double what we budgeted!"

Patterns of success and failure influence negotiators' expectations and those expectations affect the final shape of an agreement. Negotiators raise their goals after achieving a success (they expect they will get an even better agreement the next time), and they lower expectations after failures, especially if they attribute the success or failure to their own performance. We need to be sensitive to the mindset of our team members to ensure that our positions are tied to our interests and not to our moods.

VALUE PERCEPTIONS

Some negotiation techniques do not really change the value of the agreement; they change the perception of the value of money or give the impression that a concession is being offered. This tactic is called "funny money." Its objective is to reduce the other participant's anxiety about cost or to show how much more the participants are getting for their money. Contractors in reconciliation situations with DoD negotiators may use "funny money" to try to hide costs, as listed below:

- List an average cost instead of total cost, e.g., unit price compared to the total cost of the purchase.
- Transfer duties from the civilian labor force to the uniformed staff and exclude the cost of additional military labor because servicemen are not paid overtime.
- List the procurement price instead of life cycle costs.
- List incremental payments, e.g., outlining monthly payments instead of the total purchase cost.
- Use units of measure other than currency, e.g., man-hours.
- Display budget reductions by percentages instead of actual dollars.
- Use non-standard measures, e.g., "truckloads of parts" instead of a dollar amount.

DEADLOCKS

Before we conclude our negotiations without an agreement, there are several steps we can take to spur movement in positions. We can try to find common ground on a personal level with other negotiators to build trust and confidence. We can search again for new information or another issue to add value. We can change negotiators, either to adjust personalities or to introduce more senior personnel. The senior negotiators may also separate themselves and take "a walk in the woods" for a private, protracted discussion to get things moving again.⁴

4. Strobe Talbott, *Deadly Gambits*, rev. ed. (New York: Vintage Books-Random House, 1985), Chapter 6. During the series of strategic and intermediate-range nuclear arms control negotiations of the 1970's and 1980's, the leaders of the U.S. and Soviet delegations, when they felt the talks were stalemated, would meet apart from their advisors and staffs at locations where both were safe from eavesdropping, electronic or otherwise. Many of these conversations led to dramatic shifts in positions and allowed negotiations to continue that were on the brink of failure.

Public Dispute Resolution

Problems do not always arrive in our in-basket as neatly staffed recommendations supported by careful analysis. Sometimes we learn about them first in the newspaper or hear about them on the evening news. Our course's Executive Decision-Making Framework is a good road map for crisis action as well as for deliberate problem solving. With problems in the public domain, we begin the Definition Phase knowing that we have a reconciliation-intensive situation. In this section, we present some additional considerations for decisions involving the public, angry or otherwise, and some examples of attempts at reconciliation.

The Department of Defense operates largely beyond the sight of the American public. In the past, DoD occasionally abused its need for operational and information security as a screen for inappropriate activities. Many of these breaches of trust, e.g., nerve gas testing, medical research on prisoners, and exposure of servicemen to atomic radiation, came to light many years after their occurrence and only after prodding by researchers using the Freedom of Information Act. Each exposé reduced DoD's credibility and made the public distrustful and ever more ready to believe new accusations.

When something visibly goes wrong involving the Defense Department, mutual (if benign) ignorance and our poor public affairs management often stymie cooperative relations with the public. In some cases, people are angry because they perceive that DoD neglected them or caused them harm. They demand restitution or compensation and they may threaten to file lawsuits. Senior defense executives confront this very uncomfortable situation more often as information, accurate and otherwise, is disseminated faster and faster with less scrutiny. In 1997, based on misinformation on the Internet, nationally syndicated columnist Pierre Salinger reported that a Navy ship shot down a commercial airliner, TWA flight 800, over Long Island Sound with surface-to-air missiles. Less dramatic public confrontations about environmental quality, noise pollution, waste disposal, equal opportunity, sexual harassment, and many other issues are becoming commonplace for DoD installation commanders and personnel managers.

THE DEFENSIVE APPROACH

Few DoD leaders intentionally take actions that are harmful to the public. Therefore, when many decision-makers are accused of such activities their reaction is surprise, shock, confusion, or even outrage. In some cases, DoD leaders have therefore reacted along the lines of what we call the Defensive Approach. The defensive approach is essentially negative and adversarial in tone. It is better suited to damage control than confidence building.

The Defensive Approach may be necessary when there is no common ground or DoD is subject to liability claims. But even in these situations, there is never a good reason to treat the public with contempt, or to lie. In the long run (and often in the short run as well), such behavior is bad for DoD, for your organization, and for our country. Therefore, we recommend that you distinguish between two versions of the defensive approach.

We call one variant the “hardline” defensive approach. It can involve some or all of the following actions in dealing with an angry public:

- Vigorously *deny that anyone is being harmed*.
- If someone has been harmed, *deny responsibility*. Convince the public that we are not responsible and our actions (or inaction) are not at fault.
- *Minimize the harm*. Hire experts to support our point of view and publicize their reports.

- *Stonewall*. Deny interviews and make bland, reassuring comments.
- Produce a *scapegoat*. Place the blame on an individual—preferably one who transferred recently—who acted against the wishes of leadership and the culture of the organization.

Figure 11-2 contrasts the hardline defensive approach with the variant that we recommend.

"HARDLINE" APPROACH	RECOMMENDED APPROACH
Deny that anything's seriously wrong	Do not concede that anything's seriously wrong
Deny responsibility	Do not admit liability
Minimize the harm	Downplay the issue if you can do so honestly
Stonewall	Wait for public attention to shift
Scapegoat	Accept individual responsibility sacrificially

Figure 11-2. Two Variants of the "Defensive Approach"

The approach that this course recommends avoids the danger of making assertions that might not be true. Instead of denying that's anything is seriously wrong, we recommend that you explicitly reserve judgment until you have seen more evidence. Instead of saying that DoD or your organization is not responsible, we recommend that you take care not to admit liability. Instead of minimizing the harm, we recommend that you downplay the issue (e.g., by focusing on other issues, or otherwise trying to shift the terms of the debate). Instead of stonewalling (e.g. by making reassuring comments that may or may not prove well-founded), we recommend that you say as little as possible and wait for public attention to shift elsewhere. Instead of finding a scapegoat, we recommend that you do nothing. (A related but honorable option is for an official to accept overall responsibility on behalf of the organization—and perhaps even resign as a kind of sacrifice—even if he or she is not directly or individually at fault.)

CASE STUDY: TAILHOOK—THE "HARDLINE" DEFENSIVE APPROACH

For the most part, the Navy's handling of the 1991 Tailhook affair is illustrative of illustrates the "hardline" defensive response to an angry public. When the news broke nationally of the alleged sexual harassment by and misconduct of many officers at the annual convention of naval tactical aviators in Las Vegas, how did senior Navy leaders, including some present at Tailhook, downplayed the reports respond?. They essentially denied that anything seriously wrong had happened and said that Tailhook 1991 was no different than past years (deny harm).

As the story persisted and accounts became more graphic, Navy leadership said that the incidents were confined to a specific locale, the third and sixth floors of the Hilton, not the whole conference. They claimed only a small number of the conventioners participated (deny responsibility) and that all the incidents were consensual, or at worst, were misunderstandings (minimize the harm).

As the press accounts persisted and a female naval aviator reported she and others had been assaulted in a crowded hallway, the Navy's senior leaders dug in and announced a sweeping investigation was underway and therefore they could not comment on an ongoing investigation (stonewalling). The aviators under investigation, primarily Commanders, Lieutenant Colonels, and more junior officers, sensed that the Naval Criminal Investigative Service was looking for scapegoats and they generally refused to cooperate with the interviewers. Lawyers for many of them actively provided leaks to the media and held press conferences alleging a cover-up. They

purported their clients were being smeared by the women who had taken their accusations public or by the other aviators being investigated. In the end, none of the Tailhook investigations indicted any officers for courts-martial.

Still, the publicity did not stop; the media accused the Navy of whitewashing and Congress demanded accountability. The Secretary of the Navy resigned (more scapegoating), but that was not enough. For the next five years, Congress reviewed all officer promotion lists for possible Tailhook participants. They went so far as to require sworn statements from each officer selected, regardless of seniority or job description, that he and none of his subordinates had participated in Tailhook 1991, slowing promotions throughout the Department of the Navy. If an officer could not so swear, his promotion was placed on hold for further detailed review with in light of Tailhook investigation files.

Many Naval officers were disappointed in their senior leadership for not facing facts openly, for failing to acknowledge responsibility (it was common knowledge within the Fleet behavior like this occurred at many previous Tailhooks), for not conducting an impartial investigation, and for preventing Draconian reactive measures by Congress. The spill-over continued; critics say Congress passed legislation without an extensive debate that expanded the role of women in combat as a form of compensation for Tailhook.

The Tailhook scandal was a public relations and policy nightmare for the Navy that could have been handled differently using the concepts for mutual gains to induce cooperation during the resolution of this dispute. When our personnel or we ourselves behave badly, there has to be an accounting to the public. We should strive to make this accounting in a way that punishes malfeasance, minimizes damage to the organization, and restores public confidence.

THE MUTUAL GAINS APPROACH⁵

A mutual gains approach will not make negative events or bad publicity disappear, but it can minimize their impact and it sometimes results in long-term benefits for the organization. Instead of confrontation, this approach seeks to structure negotiation with the public as a collaborative problem-solving effort with participants from all sides so that each has a better outcome. Our organization can apply the mutual gains approach by taking the following actions:

- Take the *initiative*. Do not wait to be put on the defensive.
- *Acknowledge* the concerns of the other side—they, too, believe they are right.
- Encourage *joint fact-finding*. Contradictory expert opinions cause the public to dismiss facts because they believe an "expert" can be found for any point of view.
- Insist upon *objective criteria*.
- Build *coalitions* to isolate the uncooperative.
- Seek *consensus*. Give others a reason to do what we want them to do rather than convince them that they are wrong. Analyze their interests and find areas for mutual gains that provide an incentive for cooperation.
- Offer *contingent commitments*. These may help to alleviate public concern about effects, e.g., "If we really are harming the environment, then we will take corrective action in concert with the community." We must be very cautious not to overstep our authority

5. The term "Mutual Gains Approach" and many of the negotiating ideas we present in this section are derived from work done by the MIT-Harvard Program on Negotiation. See, for example, the article "Dealing with an Angry Public" by Lawrence Susskind and Ira Alterman in the *New Jersey Bell Journal*, Fall/Winter 1991, p. 35.

when we make commitments; few of us can commit the U.S. government to a course of action.

- Maintain *mutual trust*. We should always act in an honorable fashion; our word is our bond and we do not make promises we cannot or will not keep. Once trust is lost, it is very difficult to regain.
- Accept *responsibility* and admit mistakes - but be careful about liability.
- Emphasize *outcomes*. Do not lose sight of the long-term objectives.
- Focus on long-term, *continuing relationships*. Short-term victories obtained at the expense of long-term interests are seldom worthwhile.

When outside activities reveal problems involving DoD, solving them is often in the mutual interest of the public and DoD. We can resolve these disputes more easily when we have principled, decent, and honorable dealings with the media and in our negotiations with civic leaders. An open approach to conflict resolution by Defense Department leaders will help maintain or restore the public's confidence in us. We can lay some of the ground-work for a successful mutual gains approach to a public dispute by fostering an open, cooperative relationship with our local communities. An aggressive public affairs plan is a useful tool in this regard.

Remember always, mutual gains means that our organization gains, too. It is not a recipe for negotiating concessions or a strategy based on weakness. Rather, a rising tide lifts all ships.

CASE STUDY: THE AIR FORCE ACADEMY⁶— THE MUTUAL GAINS APPROACH

Lieutenant General Hosmer, U.S. Air Force, was the Superintendent of the Air Force Academy in February 1993 when female cadets made a series of allegations of sexual assault. The sequence of events began when a woman freshman reported to her chain of command that several male cadets had sexually assaulted her outside the gymnasium. Soon afterward, a dozen more women came forward and reported incidents as serious as rape.

Within two weeks of these reports, General Hosmer called a meeting with all women cadets and promised complete confidentiality and no retribution in exchange for ground truth from the assembled women. The meeting lasted for four hours and he received a full appreciation of their accumulated grievances. General Hosmer next met with all the male cadets in a similar forum. While half of the women knew of sexual harassment incidents and assaults, ninety percent of the males were unaware of these problems at the Air Force Academy.

Armed with a better understanding of the problem, General Hosmer took a multi-pronged approach. He brought in investigators to handle the formally reported incidents, set up counseling for the victims, established a 24-hour hotline for reporting incidents, and increased sexual harassment awareness training. Two perpetrators were ultimately jailed, three resigned from the academy and three others were disciplined but allowed to remain. This distribution of outcomes indicated to the women that sexual harassment would be punished and to the men that each case would be dealt with individually, i.e., the punishments befit the crimes.

General Hosmer used a mutual gains approach to solve his problem effectively. He acknowledged the concerns of those involved, engaged in joint fact finding, clearly communicated his re-

6. Based on the account authored by the *New York Times*, "Air Force Academy Acts to Curb Sexual Harassment," reproduced in the *Providence Journal*, 2 May 1992, p. A16.

sponsibility and intent, maintained trust, intelligently accepted responsibility, and selectively shared power. All the while, he focused on the long-term relationships essential to his command. There are no protracted lawsuits as a result of these incidents and the Air Force Academy became a more effective institution in the long run. The command has moved on.

CURRENT APPROACHES

In any public dispute, there is a natural tension between each party's desire to cooperate to solve a problem and create value versus their desire to compete, protect themselves, and claim value. How we react as senior leaders in DoD depends on the situation and, as in any negotiation, we may switch strategies and combine tactics. Actual liability or operational security may force us to be unyielding, obstinate, and defensive at times. We know that behaving in that manner crystallizes the opposition and bonds them more closely against us. As rational trustworthy public servants, we should use mutual gains approaches to reach out to moderate elements of a dispute when we have common interests. We hope then they will take a less strident stand, bring along the media, and undermine the more radical fringe as we find long-term solutions to the underlying causes of public disputes.

CASE STUDY: THE RECONCILIATION PHASE USMC MEDIUM-LIFT REQUIREMENTS: THE V-22 OSPREY AND HELICOPTERS

Many groups had positions on the purchase of V-22 Ospreys before the Institute for Defense Analyses (IDA) Study was completed. Secretary of Defense Cheney had already decided that DoD should not buy the V-22 because it was too expensive and should instead purchase less expensive helicopters to solve the Marines' medium-lift problem. Many observers and participants expected that IDA, who conducts many studies for the Office of the Secretary of Defense and other defense agencies, would automatically support Secretary Cheney's position. Instead, IDA concluded, as did the six earlier cost-effectiveness studies, that the V-22 was the best alternative.

The Office of the Secretary of Defense did not accept IDA's recommendation and Secretary Cheney and Dr. David Chu, which was Assistant Secretary of Defense for Program Analysis and Evaluation, remained opposed to the procurement of V-22s. While both acknowledged the V-22 outperformed helicopters, they felt it was too costly in the context of the Department of the Navy's overall program requirements in the near term. DoD needed money in the next set of budgets for other programs in addition to Marine medium lift. Meanwhile, the Marines, with the backing of Congressmen whose districts included the V-22 manufacturing plants, welcomed the IDA study and its recommendation.

The reconciliation process came to a head in testimony before Congress—which had directed DoD to commission the study in the first place. Dr. L. Dean Simmons, IDA's director of the study, presented his results and Dr. Chu testified next. Dr. Chu pointedly criticized the study's assumptions and recommendations but acknowledged, despite his con-



cerns about maintenance and sortie rates, that the V-22's performance was clearly superior to any of the helicopter options.

Dr. Chu said, "The bottom line here, sir, with great reluctance by the Department [of Defense], is, we cannot afford to spend the kind of money that starting this [V-22] production line and buying these aircraft in reasonable numbers would require...."

"What this would compel the Department to confront are a series of very painful tradeoffs to find the several billion dollars necessary to sustain that buy, not only in the period 1991-1997, but in the years beyond. [We question] whether we have enough money to buy both the ships that the Marines need and the aircraft, if we go for an elegant aircraft solution [the V-22]...."

"[We must] avoid letting 'better' be the enemy of 'good enough.'"

Essentially, Dr. Chu, who had to apportion the entire Defense Department budget among competing programs, felt the V-22 imperiled other, more necessary programs.

Senator Dan Inouye (D-HI), chairman of a Defense Appropriations Subcommittee, commented he had been a member of the subcommittee for about twenty years and this was the first time he could remember that the Office of the Secretary of Defense had attacked an IDA study. After more robust questioning, particularly by Senator Specter, Dr. Chu and the Senators came to agree the fundamental issue was near-term cost. (The record of this testimony is in Appendix 3; it provides great insight into the important role of analysis preparing our senior leaders for congressional testimony.)

Congress provided the DoD participants with a mutual gains solution by adding value. They provided new money to fund the V-22, increasing the amount of resources available to DoD. But the story still was not over... Secretary Cheney refused to obligate the money Congress provided - he did not want to start a program whose whole life cycle cost he thought too expensive. Congress was taking him to court to force him to spend the funds they authorized and appropriated for the V-22 when the 1992 presidential election made the point moot. The production of the V-22 seemed assured....

Summary

All of our defense-related decisions must be reconciled among competing interests before a decision can be executed. We believe that the differences among preferences are best reconciled through negotiations and that mutual gains is usually the preferred approach for reaching an agreement. For those instances where there is no common ground, we recognize a zero-sum (defensive) approach may be necessary, and we may have to resort to adjudicators higher in the chain of command, traditional power brokers, and coalition building.

In this chapter, we have applied our Executive Decision-Making Framework to advance our organization's interests by negotiating for the acceptance of our preferred alternative. We examined how participants behave in negotiations, why they do so, and discussed two basic approaches to negotiations: defensive and mutual gains. Just as a good commander prepares for a campaign, we described some important preparations for negotiations like using analysis to build scorecards. While emphasizing mutual gains as the most beneficial approach to reconciliation, we provided several guideposts and principles for conducting negotiations, dealing with concessions, and breaking deadlocks. Finally, we looked at how we can use negotiation techniques to resolve problems with the public.

We believe that principled negotiation is an important skill and ethical responsibility of senior DoD leaders. Executives who fail to prepare for negotiations, approach them casually, or appeal to some other authority to resolve differences are inevitably bested by those who come prepared, understand the issue, know their interests, support their positions with analysis, and adjust their positions to find an acceptable path toward their objective.