

WE OFTEN HEAR PEOPLE TALKING ABOUT THE NEED TO IMPROVE YOUR **"SOFT SKILLS."** HOWEVER, IF THESE SAME PEOPLE ARE PUSHED HARD TO DESCRIBE WHAT THEY TRULY MEAN AND/OR EXPECT, THE CHANCES ARE YOU WILL NOT RECEIVE A CLEAR ANSWER IN REPLY.

WHERE THE STORY BEGINS...

Consider the example of two entirely separate contracts, both of which are for the same thing. They both use broadly the same method of contracting, evaluation, legal framework, etc.; however, both end with entirely different results. How can this be so?

Therefore, setting out a clear definition of *soft skills* is paramount to gaining an understanding of what it is we expect at all levels of the procurement and contracting community to acquire as core competencies if we are to be able to effect and deliver competitive advantage—irrespective of the sector in which we may work or serve. The commonly recognized areas of competency, or "soft skills," are broadly split into four areas:

- Effective communication,
- Active listening,
- Stakeholder engagement, and
- Emotional intelligence.

However, this completely misses all the other aspects related to behaviors (both self and those of other parties) and collaboration. In order to bring this to life, I have set out what I consider to be the most common *positive indicators* of collaborative behavior, as shown in **FIGURE 1** below. Clearly, the opposite of these would promulgate a negative outcome when displayed.

Many of these you will recognize from the NCMA *Contract Management Body of Knowledge (CMBOK)* when used to describe an approach in the areas of leadership and stakeholder management, etc. However, when collected as a "set," they become more powerful.

With nearly all things being equal, the only factors differentiating the two contracts were the people involved and the circumstances/environment in which the contracting was carried out. Hence, while studying a similar situation myself, came the "lightbulb" moment. This is where my story begins—in recognizing that how we behave and the behavior of others either makes a contract become a standout example of success or a case study and catalog of disasters.

Connecting the parallels established in an area called "behavioral economics"¹ led me to define and establish a new branch of behavioral study, which I have termed, "behavioral procurement."

BEHAVIORAL PROCUREMENT DEFINED

Behavioral procurement² and the related field of behavioral economics study the effects of psychological, social, cognitive, and emotional factors on:

- The commercial decisions of individuals and institutions; and
- The consequences of such decisions on:
 - Competitive advantage,
 - Innovation, and
 - Resource allocation.

Behavioral procurement is primarily concerned with bounds of rationality of commercial agents and factors. Behavioral procurement models typically integrate insights from:

- Behavioral economics,
- Psychology,
- Decision sciences,
- Social sciences,
- Market theory, as well as
- Implicit nudging.

In so doing, these behavioral models cover a range of concepts, methods, and fields.

Sounds complicated, so let's keep it simple! I have often used the tag line, "I'm good or bad depending on the circumstances, the situation, and the people

FIGURE 1.

THE MOST COMMON POSITIVE INDICATORS OF COLLABORATIVE BEHAVIOR	FAIRNESS	COOPERATION
	TRUST	CONSISTENCY
	TRANSPARENCY	BALANCED
	INTEGRITY	REALISTIC
	MOTIVATION	CONSTRUCTIVE
	PASSION	COLLABORATIVE
	EMPATHY	PROFESSIONAL
	PROMOTION OF RECIPROCITY	

“ I'M GOOD OR BAD DEPENDING ON THE CIRCUMSTANCES, THE SITUATION, AND THE PEOPLE INVOLVED. ”

involved.” In essence, the way we respond outwardly and the way we sometimes interpret what people are saying or communicating can be the trigger to either a positive or a negative outcome.

PRACTICAL APPLICATION

Given that we want to explore practical applications and a positive response that will set individuals and/or groups off on the right track, let's look at an instance where a simple statement gets misread at the outset and moves things quickly into a downward spiral.

Consider the following simple comment: “Well of course you will have to comply fully with all the legislation both state and federal if you want to do business here.” The inference of what is actually being *said* in this comment could be two-fold:

Positively—This is what was actually *meant*:

“The laws have recently changed, so I want you to be aware and prepared so you can bid accordingly and not cause undue stress on your organization”; or

“Do you need our help in interpreting what is needed, as we know it can be a hard to interpret on occasions?”

Negatively—This is what could have been *heard*:

“You have never complied as an organization, so you are unlikely to do so now”; or

“We don't think you have the capability and skills within the organization to discharge your responsibilities under the contract.”

A legitimate response would be to test this statement in a balanced and objective way to establish what was meant, giving either party the opportunity to clarify or correct a belief based on incorrect information, historical circumstances, etc. This should enable a more collaborative relationship to be enabled and hence change the behaviors at the beginning. Clearly, this is just one simple example, but in essence these competencies, once mastered, become the enablers to deal with everyday situations.

The theme of NCMA's World Congress 2016 was “Education, Engagement, and Excellence.” In the context of contract man-

agement, the key enabler to all three of these elements is “behaviors (self and others),” as shown in **FIGURE 2** below. You will have no doubt already realized that these skills are neither “soft” nor “easy,” and I would prefer they were more appropriately referred to as “behavioral competencies” and serve as a measure of professional maturity at all levels.

BEHAVIORAL “STEPS” TO EFFECTIVE PERFORMANCE

Behaviors that underpin effective performance can broadly be set out as shown in **FIGURE 3** on page 44. In the *CMBOK*, you will see that there is reference to the “interpersonal domain” of the “Primary Colours Model of Leadership,”³ as depicted in **FIGURE 4** on page 44, which you will see plays a pivotal role in leadership, teamwork, relationships, and alignment.

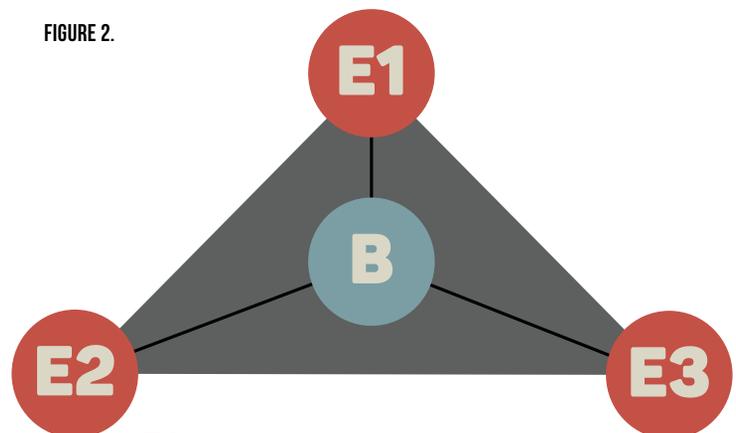
There is a further call to action in the *CMBOK* in Section 5.1.1:

There are many different leadership styles that managers can use to motivate others, and managers should be open to learning new techniques to motivate their workforce.

In leveraging this key concept of new learning and motivation, we can begin to explore more fully how the right behaviors of both self and others can have either positive or negative impacts far beyond the words of a contract. This is particularly so when we look at most formal learning and development that is centered on what can only be termed as the “logic and rationale” axis, which, in our view, gives us a series of decisions that follow a very linear line or path.

Reflecting on my own personal experiences from engineering, project management, contract management, scheduling (project planning), etc., the reinforcement and emphasis is constant and consistent throughout our formal and empirical development as

FIGURE 2.



E1: EDUCATION (FORMAL & INFORMAL)

E2: ENGAGEMENT (POSITIVE & NEGATIVE)

E3: EXCELLENCE (PROFESSIONAL & LEADERSHIP)

B: BEHAVIORS (SELF & OTHERS)

FIGURE 3. Behavioral "Steps" to Effective Performance



professionals, with little or no room for the behavioral or people aspects of what we do. This is particularly imbalanced when you consider that everything we do professionally and personally is centered on the interaction, collaboration, and cooperation of people on a daily basis—and for some preoccupies the majority of our waking day.

As contract managers, we have expectations to meet. We are driven by outcomes (usually tangible), and often have varying degrees of flexibility as to how this is may be achieved within the wider team—from the end client through to the very tip of the supply chain. This in turn leads us to believe that there is a series of decisions that fall along a very narrow "decision line" that is closely correlated to our own version of what is rational and logical.

Consider recent political events such as the "Brexit" in the UK. This had many people being very vocal, stating very publicly things such as, "It's just not rational or logical," or "How did this happen?" Similar expressions were expressed from certain quarters on the other side of "the pond" in the United States regarding the 2016 U.S. presidential election. This has been translated by some as to mean people were willing to apply the laws of "prospect theory" with their votes (i.e., based on the idea that what they have now is not what they want to such an extent they are willing to "prospect" (or "gamble") on something unknown). I have no intention to stray into a political debate here, but hopefully seek to illustrate the point of how critical behaviors are when it comes to the self-defined "logic and rationale" axis to produce this linear decision line (or outcome). In **FIGURE 5** on page 45, I have attempted to illustrate this diagrammatically.

THE PSYCHOLOGY OF DECISION-MAKING

Looking more closely at the factors that differentiate in all of us in terms of our decision-making, I will refer to what is known as "heuristics and biases" (to give it the correct phraseology). So, simply put, what are "heuristics" and "biases" and why do they matter to us?

Heuristics—Simple, efficient rules by which people often use to form judgments and make decisions. They are mental shortcuts

that usually involve focusing on one aspect of a complex problem and ignoring others.

Biases—Influencing factors or prejudices based on known limits of knowledge, experience, etc. This also extends in economic terms to "hindsight," "status quo," "bold and conservative forecasts," etc.

Within this area of psychology, decision sciences, social sciences, and cognition, there are many biases that have direct impact on outcomes and decisions, some of which will be viewed as material and others less so to the stated outcomes of a project, team, contract, etc. Some of the more common biases that are particularly relevant to contract management are set forth as follows.⁴

FIGURE 4. The Primary Colours Model of Leadership



BOUNDED RATIONALITY

"Bounded rationality" is the idea that when individuals make decisions, their rationality is limited by:

- The tractability of the decision problem,
- The cognitive limitations of their minds, and
- The time available to make the decision.

Decision-makers in this view act as "satisfiers," seeking a satisfactory solution rather than an optimal one.

When considering this in the contracting process, and particularly where you may be looking for innovation from the supply chain, our ability to assimilate new concepts, new products, and new ways of delivering the same functionality becomes "bounded" (or constrained) by the limits of our current knowledge or experience, and as such applying these evaluators may not be optimal in allowing us to see the opportunities, or to adequately evaluate them or adjust our approach for doing so.

SELF-SERVING BIAS

The "self-serving bias" refers to people's tendency to attribute "positive" events to their own character, but to attribute "negative" events to external factors. It is a common type of cognitive bias that has been extensively studied in social psychology. As an example, let's say you are back in school, and your teacher gives you an assignment to compose an essay:

Positive event—You get an "A" on the essay and you attribute it to your own awesomeness! (i.e., "internal attribution").

Negative event—You get a "C" on the essay and you attribute it to your teacher not having explained the topic well enough (i.e., "external attribution").

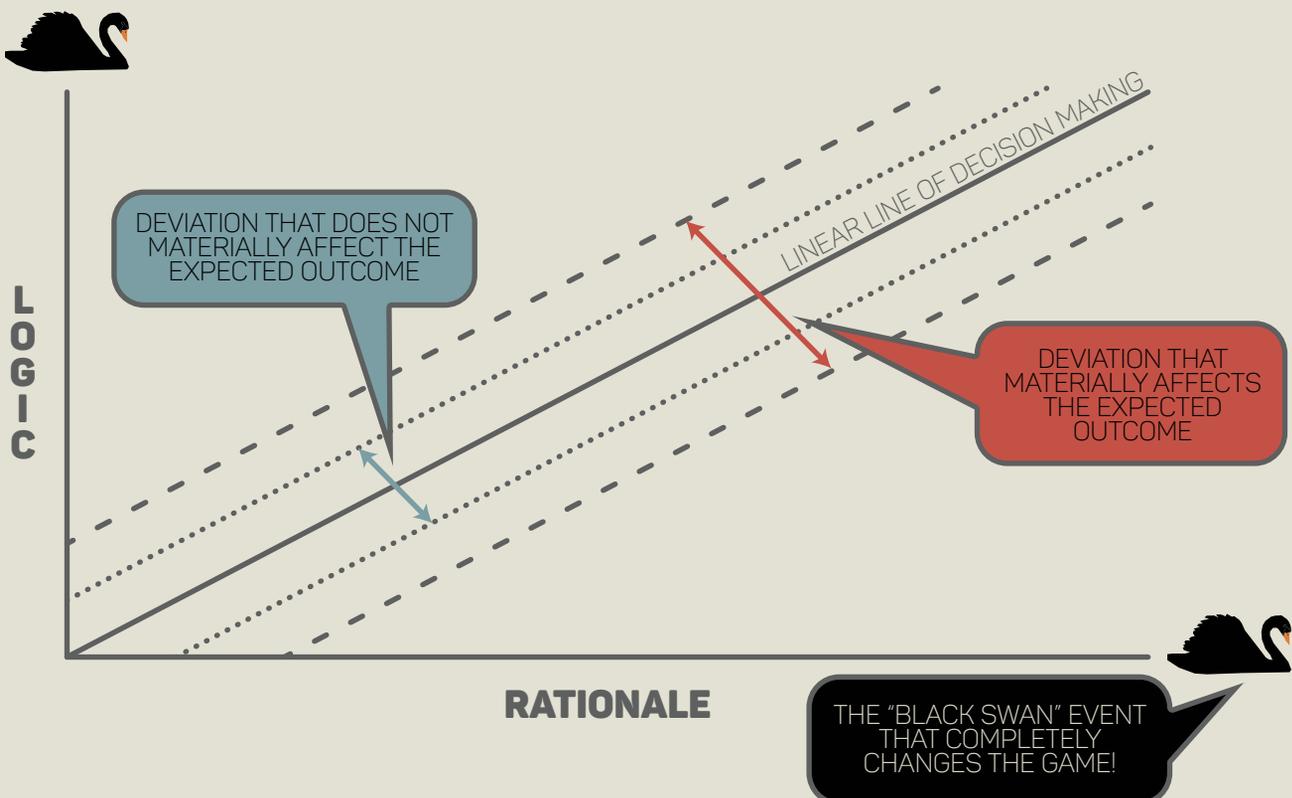
CONFIRMATION BIAS

In psychology and cognitive science, "confirmation bias" (sometimes referred to as "confirmatory bias") is a tendency to search for or interpret information in a way that confirms one's preconceptions, leading to statistical errors. In real life, this may mean someone who is a key decision-maker already having a preconceived outcome or decision for an award of a contract, approach, way of delivering a supply or service, etc., and therefore will look to extract from the presenter of a contract award recommendation only those facts that support his or her own views on this matter—ignoring or diminishing the importance of other equal or more critical factors.

FRAMING

"Framing" refers to the way you describe the same factual statement, either positively or negatively, which influences the decision made by the recipient (e.g., "the cup is half full" or "the cup is half empty"). As an example, let's say the buyer is conducting a performance audit for your experimental technology project. Nine times out of 10, the prototype tech works perfectly, but 1 out of every 10 tests results in a failure. Should you want the auditors to see the positive benefits of the project's progress, you may describe

FIGURE 5. Behavioral Deviation to the Norm



the prototype tech as having a 90-percent success rate (versus a "negative frame," which would describe it as having a 10-percent failure rate).

ANCHORING

"Anchoring" refers to using references that we know or understand to draw comparisons and make judgements about things we do not know about. These can then be adjusted to refine an answer or a response. As an example, consider an occasion where you are presenting on a specific topic that is somewhat technical in nature to a group of those who are not specialists in such knowledge. You would most likely deliver this information in a way that anchors the principles in everyday language or concepts to allow ease of understanding or decision-making. We must put ourselves in the shoes of others who do not have such specific subject matter knowledge or use the same vocabulary as we might do in the commercial/technical disciplines.

JUDGEMENTS

"Judgements" are either made intuitively (System 1) or through greater computations and consideration and by inference greater effort (System 2):

System 1 attributes:

- Feelings
- Inclinations
- Automatic
- Voluntary

Cognitive ease > illusion of truth

Focuses on existing evidence

Narrow frame of reference

System 2 attributes:

Skilled responses based on adequate training

Fact-based

Requires research

Rational and considered

Reasoned

Calculated

"NUDGES"

"Nudges" refers to choosing particular layouts or arrangements, the order in which information is presented, or setting a policy or way of working in such a way so as to lead people in a certain way or direction, without misleading them, as a choice or an option to pursue another course of action. This could be as simple as auto-enrolling people into an internal training course, which they can cancel, reschedule, or defer. Providing a sample template or formats that set out how you want information to be presented, allowing easy and simple population to drive consistency and ease of reporting, etc. This in itself is a "frictionless" way of getting what you want.

NEGOTIATION

Finally, I will turn to everyone's favorite subject: Negotiation.

FIGURE 6.

GAME THEORY ASSUMPTIONS ARE SAID TO BE BASED UPON:	
1	INDIVIDUALS OR PARTIES ARE FULLY RATIONAL.
2	INDIVIDUALS ATTEMPT TO MAXIMIZE THEIR UTILITY/OUTCOME.
3	INDIVIDUALS WILL ACCEPT THE HIGHEST PAYOFFS.
4	INDIVIDUALS WILL ONLY ACCEPT SOLUTIONS THAT ARE AT OR GREATER THAN THEIR SECURITY LEVELS (RESISTANCE POINTS).
5	INDIVIDUALS KNOW THE "RULES OF THE GAME."
6	INDIVIDUALS ASSUME OTHER PARTIES TO BE FULLY RATIONAL.
7	THE NUMBER OF INDIVIDUALS IS FIXED AND KNOWN TO ALL PARTIES.
8	EACH PARTY RECOGNIZES A SET OF AVAILABLE OPTIONS AND DEVELOPS TANGIBLE PREFERENCES AMONG THOSE OPTIONS. PREFERENCES REMAIN CONSTANT THROUGHOUT THE CONFLICT/NEGOTIATION INTERACTION.
9	EACH PARTY KNOWS OR CAN ESTIMATE WELL THE OPTIONS AND PREFERENCES OF THE OTHER PARTIES.
10	COMMUNICATION IS LIMITED, HIGHLY CONTROLLED, OR NOT RELEVANT TO THE CONFLICT/NEGOTIATION INTERACTION.
11	A DECISION MUST BE POSSIBLE THAT IS MAXIMALLY EFFICIENT—I.E., INTERSECTS WITH THE SOLUTION SET AT A POINT THAT MAXIMIZES EACH PARTY'S OWN INTERESTS (PARETO OPTIMAL).

“ THE WAY WE RESPOND OUTWARDLY AND THE WAY WE SOMETIMES INTERPRET WHAT PEOPLE ARE SAYING OR COMMUNICATING CAN BE THE TRIGGER TO EITHER A POSITIVE OR A NEGATIVE OUTCOME. ”

There are many references to this in the *CMBOK*, but my main focus of attention is how behaviors have a role to play in negotiation. In this context, there are two significant viewpoints from which to view negotiation—"Prospect Theory"⁵ and "Game Theory."⁶

PROSPECT THEORY

In essence, this viewpoint concerns itself less with the outcome of a decision (or negotiation), but more with the gains and losses as part of decision-making in real-life situations. It recognizes, as I have set out so far in this article, that we all have different experiences, prejudices, and variable levels of the many biases as human beings—hence the outcomes from an identical set of objective and factual elements under consideration (e.g., two similar contracts having very different outcomes). The term *prospect* was used in the context that the decision (or outcome) can be quite literally a "lottery." This is equally true when you then extend that into the unfortunate situation that you are negotiating the settlement of a claim on a contract. Therefore, outcomes are determined by factors such as those attributed to risk-averse or risk-seeking individuals or parties.

GAME THEORY

Further research and publication has looked at "Game Theory" strategies, such as cooperation. Simplistically, these strategies translate to:

If you move first, cooperate.

If you move second, reciprocate:

If the other party cooperates, respond cooperatively;

If the other party competes, respond competitively.

Communicate your reciprocal move clearly and do not get too smart with how you do it!

(See **FIGURE 6** on the previous page.)

In short, the process of negotiation can be a complex one that requires careful planning and understanding of exactly who you are negotiating with and what will be their appetite for risk, etc.

CONCLUSION

In summary, I will leave you with these final thoughts as considerations about those competencies outside of the technical tool box contract management practitioners need to understand:

Behaviors play a big part in decision-making;

Irrational decisions have an explanation; and

Behaviors are the enabler to education, engagement, and excellence. **CM**

ENDNOTES

1. *Behavioral economics* is "[a] method of economic analysis that applies psychological insights into human behavior to explain economic decision-making." (Oxford University Press, Oxford Living Dictionaries, "behavioural economics," available at https://en.oxforddictionaries.com/definition/behavioural_economics.)
2. The formal definition: Behavioral procurement and the related field of behavioral economics study the effects of psychological, social, cognitive, and emotional factors on the commercial decisions of individuals and institutions and the consequences for competitive advantage, innovation, and resource allocation. Behavioral procurement is primarily concerned with bounds of rationality of commercial agents and factors. Behavioral procurement models typically integrate insights from behavioral economics, psychology, decisions sciences, social sciences, market theory, as well as implicitly nudging; in so doing these behavioral models cover a range of concepts, methods, and fields. (Loseby, 2015.)
3. Copyright held by Primary Colours Consulting (www.primarycoloursconsulting.co.uk), used with permission.
4. To set this in context, there are currently around 176 different biases that have been researched, mapped, and documented. Hence, my assertion that these skills and competencies are neither "soft" nor "easy," and in fact are key competencies for successful outcomes in the contracting spectrum—referenced as the "Interpersonal Domain" in the *CMBOK*.
5. See, generally, Tversky & Kahneman, "Prospect Theory—An Analysis of Decision Under Risk" (March 1979) (and further developed by Kahneman in 1992).
6. Axelrod, *The Evolution of Cooperation* (1984).

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