



ROLE-PLAY SIMULATION ON INFANTRY BRIGADE HEADQUARTERS BUILDING NEGOTIATION

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ABSTRACT

This article addressed a Brazilian negotiation on the infantry brigade headquarters building. On the one hand, the Brazilian Federal government, represented by the Brazilian Army commander. On the other hand, a private company representative. The contract objective was to deploy a series of facilities. After the bidding process, the winning company abandoned the project, and the Public Administration had to negotiate new contract terms with the second place in the bidding process. The teaching material is helpful to scholars, decision-makers, and practitioners. Key findings pointed out the necessity of developing best efforts to solve joint problems. Further implications suggest the case replication to other governmental sectors. Finally, a set of teaching notes compile the present case study.

Keywords: Teaching materials, bidding process, Type II Negotiation

INTRODUCTION: -

Civil engineering works acquisition is a sensitive case since the new Bidding Law 14.133 was issued on 1 April 2021. (Brasil, 2021), because the law is in trial time. This research aims at presenting teaching material regarding a Type II negotiation (Dias, 2020) involving two parties and multiple issues.

This article addressed a government acquisition on civil engineering works. The negotiation involved a governmental agent and a private company representative. Nevertheless, the winning company went bankrupt. According to Law 14.133/21, Art. 125, the negotiation should call the second place to negotiate. (Brasil, 2021).

The actual names of the companies, parties involved, and other case details were omitted due to compliance issues and to protect the identities of the involved. A complete set of teaching notes is enclosed (see the Annexes).

This article addressed a single case study involving a private civil engineering company representative, and a Military Organization commander, as the unit of analysis (Yin, 1988). The case is limited to the Federal Constitution 1988, which "disciplines the contracting of works, services, purchases, and disposals by the direct and indirect public administration of any of the Powers of the Union, States, Federal District, and Municipalities." (Brasil, 1988, - Art. 37, item XXI).

We aimed at providing a new perspective on the Brazilian Government acquisition process, helpful to (i) policy-makers, (ii) negotiators, (iii) decision-makers, (iv) scholars, (v) teachers, and (vi) overall practitioners. The topic has been investigated in recent works (Dias & Navarro, 2017; Dias, 2020, 2019; Dias, M.; Andrade, S.; Silva, M. R.; Teles, G.; Mello, B.; Moura, R.; Salazar, A.; Sotoriva, L.M.; Mariotti, A; Filho, C., 2021; Dias, Lopes, Teles, Pereira, and Castro, 2020; Dias & Lopes, 2019; Dias & Teles, 2018; Dias and Duzert, 2017; Sotoriva, L.M.; Leitão, R.; Dias, M.; Marques, R.; Araújo, P.; Machado, F., 2021; Leitão, R; Rosales Jr, O; Machado, F; Corrêa, J.V; Dias, M., Costa, D., 2021; Dias, M.; Netto, P.C; Oliveira, F.; Melo, L.; Cavalcanti, S.; Marques, A.; Silveira, F.M., Bastos, E.H.; Pitangueira, A.L; Vaz, H.; Filho, C.C., 2021).

Negotiation is defined as a "form of decision making in which two or more parties talk with one another in an effort to resolve their opposing interests." (Pruitt, 1981, p. xi). Negotiations have been studied over the past decades (Dias, 2020, 2020b, 2019; Salacuse, 2008; Ury, 2015; Cohen, 1980; Sebenius, 1992; Duzert and Zerunyan, 2015; Moore, 2003; Fisher Ury and Patton, 1981; Susskind & Cruikshank, 1987; Susskind and Field, 1996; Raiffa, 1982). This article followed Dias (2020) Four-Type Negotiation Matrix, illustrated in Figure 1 as follows:



Figure 1: The Four-Type Negotiation Matrix. Source: Dias, 2020. Reprinted under permission.

RESEARCH LIMITATIONS AND METHODS: -

The research combined an interpretive approach and inductive rationale. The bidding negotiation is the unit of analysis (Yin, 1988). The single descriptive case involved (i) direct observation, (ii) direct participation, and (iii) case study. The research is limited to the Brazilian Federal Constitution 1988, Art. 37, item XXI (Brasil, 1988) and the Bidding Law 14.133/21 (Brasil, 2021), especially Art. 72, whereas the hypothesis of Direct Contracting is excluded. The study is also limited to the Type II negotiation on the Brazilian government acquisition. Other countries and types of negotiation may convey incorrect understandings. Table 1 depicts the legal devices on Law 14.133/21 that limit the present research, as follows:

Table 1
Criteria for the contract addendum - Law 14.133/21

| Legal Device | Description |
|-------------------|---|
| Art. 124, item II | Contract Change - by agreement between the parties: a) when it is convenient to replace the performance guarantee; b) when it is necessary to change the regime for the execution of the work or service, as well as the mode of supply, because of the technical verification of the inapplicability of the original contractual terms; c) when it is necessary to change the form of payment due to imposition of supervening circumstances, keeping the initial amount updated and the advance payment about the established financial schedule is prohibited without the corresponding consideration for the supply of goods or execution of work or service; d) to re-establish the initial economic and financial balance of the contract in case of force majeure, fortuitous event or fact of the prince or as a result of unpredictable or foreseeable facts of incalculable consequences, which make it impossible to perform the contract as agreed, respected, in any in this case, the objective allocation of risk established in the contract. |
| Art. 125 | In the unilateral changes referred to in item I of the main section of Art. 124 of this law, the contractor will be obliged to accept, under the same contractual conditions, additions or deletions of up to 25% (twenty-five percent) of the updated initial value of the contract that is made in the works, services or purchases, and, in the case of building or equipment renovation, the limit for additions will be 50% (fifty percent). |

BACKGROUND:-

The Regional Construction Commissions (CRO) are Military Organizations (O.M.) of the Brazilian Army (E.B.) responsible for the execution of its infrastructure works (barracks). Thus, a specific Works Commission was entrusted with bidding for the construction of the registered building of an Operational Unit, which would require the execution of the following works, at least: (i) Pavilion 1 (Command); (ii) Hall 2 (Refectory); (iii) Pavilion 3 (Garage); (iv) Pavilion 4 (Command and Support Company - CCAp); (v) Pavilion 5 (Operations Center - COP); (vi) Pavilion 6 (Guard Corps); (vii) Complementary infrastructure (water, sanitary, electricity, paving, for instance).

After the preparation and approval of the related engineering projects and aiming at the gain of scale, the head of the mentioned CRO began the necessary bidding processes, in which it decided to contract the works through 2 (two) public competitions, one is encompassing the Pavilion of the Guard Corps (Bidding 1) and the second (Bidding 2) encompassing all other remaining improvements. The negotiation is therefore governed by the Bidding Law 14.133/21, excluding the hypothesis of Direct Contracting (Art. 72) provided by law for exceptional cases, that is, by non-enforceability (Art. 74) or by exemption from bidding (Art. 75).

As a result, the same company, ROCHA Engenharia Ltda, won the following two (2) bids, with the following values, presented in Table 2, as follows:

Table 2
Result of the bidding process

| Description | Objects | Bid amount (R\$) | Discount % granted by the company | Winning company |
|-------------|--|------------------|-----------------------------------|-----------------------------|
| Bidding 1 | Pavilions 1, 2, 3, 4, 5 and complementary infrastructure | 3.000.000,00 | 12,0 | ROCHA Eng ^a Ltda |
| Bidding 2 | Pavilion 6 | 200.000,00 | 15,0 | |

The contract for Bidding 1 was signed, and the works started at the beginning of the year. Moreover, the works were paralyzed in the middle of this year, with an average percentage of execution of the object only 30%.

However, despite the effort of the construction company and due to a series of labor lawsuits, there was a new stoppage, still next year, this time definitively. Therefore, soon, there would be a need for a new contract, which required the prior termination of the stalled contracts. Moreover, due to the current legislation and the possible need for a new bid, a significant period would be consumed. Therefore, in parallel to the processes of contracting the works related to Bidding 1, already mentioned, special attention was paid to hiring the construction works of the Pavilion of the Guard Corps (Bidding 2), which had not yet been contracted.

Analyzing the bidding corresponding to the construction of the Guard Corps, it was verified that the winning company - ROCHA Eng^a Ltda - was the same as the paralyzed contract, which would contraindicate its hiring. The 2nd place in the same bid (ABC Construções Ltda) had already executed other works in charge of that CRO with great success. For the judging criteria, Articles 33 and 34 of Law 14.133/21, as shown in Table 3, should be observed below:

Table 3
Criteria for the judgment of Law 14.133/21

| Device | Content |
|---------|--|
| Art. 33 | I - Lowest price; II - higher discount; III - best technique or artistic content; IV - technique and price; V - higher bid, in the case of auction; VI - higher economic return. |
| Art. 34 | |
| | The judgment for lower price or higher discount and, when it |

fits, by technique and price will consider the lowest expenditure for the Administration, meeting the minimum quality parameters defined in the tender notice.

A meeting was then held with ABC Construções Ltda to verify if there would be interest in assuming the object of Bidding 2 and signing the corresponding contract.

Two lines of action were available. First, if the previous bid were used for the contracting of the company classified in second place, the prices would be corrected, from the contract of four years ago, applying the indexes for the period elapsed until that year. Second, the value of the work proposed by the winning company (at the time), and to be assumed by the 2nd place, was R\$ 500,000.00, with reference prices from four years ago. The total percentage was 15%, resulting in a new value of R\$ 575,000.00.

In the second line of action, a new bid was carried out, the quotation based on the reference table for works of the Federal Public Administration (SINAPI) should be obeyed. In this case, the total budget considering reference prices for the following year would be R\$ 600,000.00.

The average discount obtained in CRO bids in the last two years, that is, the difference between the estimated and the effectively contracted values was 10%.

Then, in order to minimize the value of the work, it was proposed to the owner of ABC Construções Ltda to grant an additional discount on the amount provided for in the adjusted contract (R\$ 575,000.00), so that the final value of its contracting was lower than that of a new bid, even if the average discount historically obtained by CRO (10 %).

After the analysis of the claim submitted by CRO, the representative of ABC Construções Ltda reported that the price proposed in the bidding by the winning company was already at a very considerable discount and, if an additional discount was granted, there would be a significant risk of damage to the work.

The discount of R \$ 50,000.00 is ideal for closing the new agreement, but R \$ 30,000.00 is enough for both parties, given the losses to the Public Administration to conduct a new bidding bid.

DISCUSSION: -

The infantry brigade headquarters case was designed to provide scholars with solid teaching materials on a government negotiation case. However, this case has implications on several fields of research: (i) teaching materials (Dias, M.; Waltz; Oliveira, B., 2021; Dias, M. & Navarro, R., 2018; Dias, M., 2012; (ii) business negotiations involving governmental and non-governmental organizations dealing with governments (Dias, M. & Navarro, 2017; Dias, M. & Duzert, 2017; Dias, 2020; Dias, 2019, 2018; Paradela, V.; Dias, M.; Assis; Oliveira, J.; Fonseca, R., 2019); (iii) buyer-seller negotiations (Dias, M. et al., 2015; Dias, M. et al., 2015, 2014, 2012; Dias, M. et al., 2013, Dias, M., et al., 2014; Dias, M. and Falconi, 2018; Dias, M., 2018); (iv) debt collection negotiations (Dias, M., 2019, 2019b; Dias, M. and Albergarias, 2019); (v) negotiations between government agents (Dias & Navarro, 2018); (vi) e-business negotiations (Dias, M., & Navarro, 2018); (vii) public negotiations (Dias, M., 2018; Aylmer & Dias, M., 2018; Dias, M., Teles, and Duzert, 2018; Dias, M. and Duzert, 2018); (viii) family business succession (Dias, M., & Davila, 2018);

(vii) civil construction versus public projects (Dias, M., 2016); (ix) Contract bidding Negotiation (Dias, M., Nascimento, C.; Lima, M.; Santos, A.; Duarte, M.; Rocha, M.; Martins, M.; Mendes, F.; Filho, R.; Marques, L.; Filho, C.C., 2021); (x) industry negotiations (Cruz and Dias, M., 2020, 2020b), for instance.

At last, the case is restricted to the Brazilian enactment in power. Different nations ought to comply with their standardizing in extra examinations. The work is limited to a Type II Negotiation. Negotiations Types I, III, and IV are not the scope of this work

FUTURE RESEARCH

For future research, we encourage the investigation of negotiations Types I, III, and IV. We additionally suggest concentrating on the effect of the current Bidding Law 14.133/21 in Government Acquisitions.

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APPENDIX I

Teaching notes

Scenario: the case illustrates the troubles of gatherings with the Brazilian government civil engineering works negotiation case, targeting further developing the arrangement abilities of government mediators, researchers, decision-makers, and professionals through a two-party, multiple-issue, Type II negotiation (Dias, 2020).

Mechanics: parties should take 45 min to 50 min to peruse the case and get ready to arrange. Exchange organized planning is firmly supported—30 min to 1 hour of arrangement in addition to 30 min to a one-hour questioning meeting. Altogether, one hour to two hours is suitable for the exercise.

Significant Lessons: the parties should put their best efforts into reaching deals through joint fact-findings and cooperative behavior.

Objective: this role-play was designed to discuss the role of the parties in an integrative, Type II negotiation involving two parties and several issues negotiated.

| MAIN FEATURES | |
|------------------------|--|
| Time required | 1 hour – 2 hours |
| Number of participants | Two parties, Military Commander and a company representative |
| Groups involved | No |

| | |
|---------------------------|----|
| Agent present | No |
| Third part present | No |

APPENDIX II

PART 1

♦♦ COMMANDER OF THE MILITARY ORGANIZATION ♦♦

CONFIDENTIAL INFORMATION

You are the Commander of your Military Organization (O.M.), responsible for negotiating with the Yankee Company Representative on the acquisition of the improvement service responsible for the supply of electricity in the military residences and administrative buildings of your O.M.

The Regional Construction Commissions (CRO) are Military Organizations (O.M.) of the Brazilian Army (E.B.) responsible for the execution of its infrastructure works (barracks). Thus, a certain Works Commission was entrusted with bidding for the construction of the registered building of an Operational Unit, which would require the execution of the following works, at least: (i) Pavilion 1 (Command); (ii) Hall 2 (Refectory); (iii) Pavilion 3 (Garage); (iv) Pavilion 4 (Command and Support Company - CCAp); (v) Pavilion 5 (Operations Center - COp); (vi) Pavilion 6 (Guard Corps); (vii) Complementary infrastructure (water, sanitary, electricity, paving, etc.).

After the preparation and approval of the corresponding engineering projects and aiming at the gain of scale, the head of the mentioned CRO began the necessary bidding processes, in which it decided to contract the works through 2 (two) public competitions, one encompassing the Pavilion of the Guard Corps (Bidding 1) and the second (Bidding 2) encompassing all other remaining improvements. The negotiation is therefore governed by the Bidding Law 14.133/21, excluding the hypothesis of Direct Contracting (Art. 72) provided by law for special cases, that is, by non-enforceability (Art. 74) or by exemption from bidding (Art. 75).

As a result, the same company, ROCHA Engenharia Ltda, won the following two (2) bids, with the following values, presented in Table 1, as follows:

Table 1
Result of the bidding process

| Description | Objects | Bid amount (R\$) | Discount % | Winning |
|-------------|---------|------------------|------------|---------|
|-------------|---------|------------------|------------|---------|

| | | | granted by the company | company |
|-----------|--|--------------|---------------------------|--------------------------------|
| Bidding 1 | Pavilions 1, 2, 3, 4, 5 and complementary infrastructure | 3.000.000,00 | 12,0 | ROCHA Eng ^a Ltda |
| Bidding 2 | Pavilion 6 | 200.000,00 | 15,0 | |

Thus, considering the financial resources available at the time of the conclusion of the bids, the contract for Bidding 1 was signed, and the works started at the beginning of the year. Moreover, due to financial difficulties faced by the construction company during the execution of the contract, the works were paralyzed in the middle of this year, with an average percentage of execution of the object of only 30%.

After meetings held between CRO and the Board of Directors of the executing company during the 2nd half of this year, we tried to implement a new pace to the works from the beginning of next year, with great expectation regarding the resumption of work.

However, despite the effort of the construction company and due to a series of labor lawsuits, there was a new stoppage, still next year, this time definitively. Soon, there would be a need for a new contract, which required the prior termination of the stalled contracts. Moreover, as a result of the current legislation and the possible need for a new bid, a large period of time would be consumed. In parallel to the processes of recontracting the works related to Bidding 1, already mentioned, special attention was paid to the hiring of the construction works of the Pavilion of the Guard Corps (Bidding 2), which had not yet been contracted.

Analyzing the bidding corresponding to the construction of the Guard Corps, it was verified that the winning company - ROCHA Eng^a Ltda - was the same as the paralyzed contract, which would contraindicate its hiring. The 2nd place in the same bid (ABC Construções Ltda), had already executed with great success other works in charge of that CRO. For the judging criteria, Articles 33 and 34 of Law 14.133/21, as shown in Table 2, should be observed below:

Table 2
Criteria for the judgment of Law 14.133/21

| Device | Content |
|---------|---|
| Art. 33 | I - Lowest price; II - higher discount; III - best technique or artistic content; IV - technique and price; V - higher bid, in the case of auction; VI - higher economic return. |
| Art. 34 | The judgment for lower price or higher discount and, when it fits, by technique and price will consider the lowest expenditure for the Administration, meeting the minimum quality parameters defined in the tender notice. |

A meeting was then held with ABC Construções Ltda to verify if there would be interest in assuming the object of Bidding 2 and signing the corresponding contract.

Two lines of action were available. If the previous bid were used for the contracting of the company classified in 2nd place, the prices would be corrected, from the contract of four years ago, applying the indexes for the period elapsed until that year. The value of the work proposed by the winning company (at the time), and to be assumed by the 2nd place, was R\$ 500,000.00, with reference prices from four years ago. Considering the adjustment rates accumulated so far, and to be applied on those original prices, the total percentage was 15%, resulting in a new value of R\$ 575,000.00.

In a second line of action, a new bid was carried out, the quotation based on the reference table for works of the Federal Public Administration (SINAPI) should be obeyed. In this case, the total budget considering reference prices for the following year would be R\$ 600,000.00.

The average discount obtained in CRO bids in the last two years, that is, the difference between the estimated and the effectively contracted values, was 10%. Thus, if a new bid were made in the following year, it was expected that a value of around R\$ 540,000.00 would be offered for the same work, even if any amount offered to the lower than that contained in the terms of reference was legally and accepted by the control bodies.

Then, in order to minimize the value of the work, it was proposed to the owner of abc Construções Ltda to grant a supplementary discount on the amount provided for in the adjusted contract (R\$ 575,000.00), so that the final value of its contracting was lower than that of a new bid, even if the average discount historically obtained by CRO (10 %).

After the analysis of the claim submitted by CRO, the representative of ABC Construções Ltda reported that the price proposed in the bidding by the winning company was already at a very considerable discount and, if a supplementary discount was granted, there would be a great risk of damage to the work.

You believe that a discount of R \$ 50,000.00 is of good size to close the new agreement, but R \$ 30,000.00 are enough for both parties, in view of the losses to the Public Administration to conduct a new bidding bid. So:

ZOPA: R\$ 30.000,00 a R\$ 50.000,00

Option - accept a lower value; allow more time for the contracted company

Alternative: make new bidding.

His justification was in the sense that, once already installed on the site of the works, with the work team mobilized and considering a gain of scale, would be in better condition to participate in the upcoming bids, the other pavilions and make a profit in the whole work. Get ready to negotiate with the representative of the ABC company.



PART 2

◆◆ ABC COMPANY REPRESENTATIVE ◆◆

CONFIDENTIAL INFORMATION

You are the representative of the company ABC, responsible for negotiating with the Commander of the Military Organization (O.M.) on the acquisition execution of its infrastructure works (barracks) for O.M.

The Regional Construction Commissions (CRO) are Military Organizations (O.M.) of the Brazilian Army (E.B.) responsible for the execution of its infrastructure works (barracks). Thus, a certain Works Commission was entrusted with bidding for the construction of the registered building of an Operational Unit, which would require the execution of the following works, at least: (i) Pavilion 1 (Command); (ii) Hall 2 (Refectory); (iii) Pavilion 3 (Garage); (iv) Pavilion 4 (Command and Support Company - CCAp); (v) Pavilion 5 (Operations Center - COp); (vi) Pavilion 6 (Guard Corps); (vii) Complementary infrastructure (water, sanitary, electricity, paving, etc.).

After the preparation and approval of the corresponding engineering projects and aiming at the gain of scale, the head of the mentioned CRO began the necessary bidding processes, in which it decided to contract the works through 2 (two) public competitions, one encompassing the Pavilion of the Guard Corps (Bidding 1) and the second (Bidding 2) encompassing all other remaining improvements. The negotiation is, therefore, governed by the Bidding Law 14.133/21, excluding the hypothesis of Direct Contracting (Art. 72) provided by law for special cases, that is, by non-enforceability (Art. 74) or by exemption from bidding (Art. 75). As a result, the same company, ROCHA Engenharia Ltda, won the following two (2) bids, with the following values, presented in Table 1:

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| Description | Objects | Bid amount (R\$) | Discount % granted by the company | Winning company |
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| | | | |
|-----------|------------|------------|------|
| Bidding 2 | Pavilion 6 | 200.000,00 | 15,0 |
|-----------|------------|------------|------|

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After meetings held between CRO and the Board of Directors of the executing company during the 2nd half of this year, we tried to implement a new pace to the works from the beginning of next year, with great expectation regarding the resumption of work.

However, despite the effort of the construction company and due to a series of labor lawsuits, there was a new stoppage, still next year, this time definitively. Soon, there would be a need for a new contract, which required the prior termination of the stalled contracts. Moreover, as a result of the current legislation and the possible need for a new bid, a large period of time would be consumed. In parallel to the processes of recontracting the works related to Bidding 1, already mentioned, special attention was paid to the hiring of the construction works of the Pavilion of the Guard Corps (Bidding 2), which had not yet been contracted.

Analyzing the bidding corresponding to the construction of the Guard Corps, it was verified that the winning company - ROCHA Eng^a Ltda - was the same as the paralyzed contract, which would contraindicate its hiring. The 2nd place in the same bid (ABC Construções Ltda), had already executed with great success other works in charge of that CRO. For the judging criteria, Articles 33 and 34 of Law 14.133/21, as shown in Table 2, should be observed below:

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| Device | Content |
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| Art. 33 | I - Lowest price; II - higher discount; III - best technique or artistic content; IV - technique and price; V - higher bid, in the case of auction; VI - higher economic return. |
| Art. 34 | The judgment for lower price or higher discount and, when it fits, by technique and price will consider the lowest expenditure for the Administration, meeting the minimum quality parameters defined in the tender notice. |

A meeting was then held with the Commander of the O.M. to verify whether there would be interest in assuming the object of Bidding 2 and signing the corresponding contract.

Two lines of action were available. If the previous bid were used for the contracting of the company classified in 2nd place, the prices would be corrected, from the contract of four years ago, applying the indexes for the period elapsed until that year. The value of the work proposed by the winning company (at the time), and to be assumed by the 2nd place, was R\$ 500,000.00, with reference prices from four years ago. Considering the adjustment rates accumulated

so far, and to be applied on those original prices, the total percentage was 15%, resulting in a new value of R\$ 575,000.00.

In a second line of action, a new bid was carried out, the quotation based on the reference table for works of the Federal Public Administration (SINAPI) should be obeyed. In this case, the total budget considering reference prices for the following year would be R\$ 600,000.00.

The average discount obtained in CRO bids in the last two years, that is, the difference between the estimated and the effectively contracted values, was 10%. Thus, if a new bid were made in the following year, it was expected that a value of around R\$ 540,000.00 would be offered for the same work, even if any amount offered to the lower than that contained in the terms of reference was legally accepted by the control bodies.

Then, in order to minimize the value of the work, it was proposed to the owner of abc Construções Ltda to grant a supplementary discount on the amount provided for in the adjusted contract (R\$ 575,000.00), so that the final value of its contract was lower than that of a new bid, even if the average discount historically obtained by CRO (10 %).

After the analysis of the claim submitted by CRO, the representative of ABC Construções Ltda reported that the price proposed in the bidding by the winning company was already at a very considerable discount and, if a supplementary discount was granted, there would be a great risk of damage to the work.

You believe that a discount of R \$ 20,000.00 is of good size to close the new agreement, but R \$ 40,000.00 is sufficient for both parties, in view of the losses to the Public Administration to conduct a new bidding bid. So:

ZOPA: R\$ 20.000,00 a R\$ 40.000,00

Option - accept a lower value; allow more time for the contracted company

Alternative: make new bidding.

His justification was in the sense that, once already installed on the site of the works, with the work team mobilized and considering a gain of scale, would be in better condition to participate in the upcoming bids, the other pavilions and make a profit in the whole work. Prepare to negotiate with the Commander of the O.M.

