
Conflict And Negotiation

Introduction

This reflective essay is written based on the negotiation case study done in the class about "Aussie Air". The experience gained from participating in the negotiation exercise, a reflection on the process of preparation and carrying out negotiation over multiple phases, creation and claiming value, relationships, emotions and behaviours of the participants as well as the cognitive biases will be discussed in the subsequent sections of the essay. The key aspects of the negotiation carried out with regard to the proposed takeover attempt by the private equity consortium "DUA - Down Under Air" will be discussed to connect with the theoretical concepts related to negotiation. These key aspects are the "issues" in negotiation context, namely; share price, jobs kept in Australia, management contract, government intervention & sickout effects.

How successful were you in this negotiation? How do you know you were successful?

Unfortunately, I must confess that I have not been very successful in this negotiation. How I got to know whether I was not successful was based on the score derived from the points table. Ertel, D. (1990) emphasises that success should go beyond financial measures although the natural tendency is to focus on financial gain maximisation. In the Aussie Air negotiation exercise, I was focused on non-financial aspects as well, thanks to the given points table. Accordingly I paid attention to ensuring a government intervention is avoided through having a health conversation with the government representative. Further, in the first negotiation I noticed that there's a coalition built between the shareholders' representative, trade union and the CEO. Subsequently I managed to talk the shareholders' representative out of it and neutralise the trade union representative. Through this I managed to get a better view about the interest of each party and negotiate based on non financial aspect as well. I lost the case when I lost focus on the updated BATNA which was presented through the addendum. By that time I was too excited about acquiring the company at \$6 a share and maintaining the status quo of the business. I learned from this mistake not to lose the focus on BATNA and keep re-calculating the BATNA throughout the process of negotiation until the very end!

How did you claim value in this negotiation? What tactics did you use to advance your interests?

The value in this scenario was driven by the issues such as stock price, jobs kept in Australia, management contract, government intervention & sickout effects. In response to each of the aspects I made an effort to claim value. With regards to the government intervention it was based on a private conversation that lead to rapport building & convincing about the importance of the acquisition; making the government representative feel a sense of reciprocity (Cialdini, R. B., 2014). In order to negotiate the stock price, I spoke to the shareholders' representative about the current ownership level we have and the fact that if they do not agree with a good price we will be compelled to dispose the existing shares resulting in a drop of their current share price as well; a way of showing the authority (Cialdini, R. B.) in the situation. With regards to the trade union representative, I used a commitment approach (Cialdini, R. B.) where I showed them the future employment potential, the earning potential to employees if they resign

from Aussie Air and start their own businesses etc. The CEO was playing a very aggressive and defensive role. I used my authority developed through the relationship that I built with the shareholder representative & the government as well as the possibility of acquiring the shares of Bill Long. The sickout effect is the aspect that got me weak. I felt if we acquire this business it will be quite important to avoid a sickout effect within a short time from acquisition. Therefore I was giving too much concessions to the trade union representative.

How did you create value in this negotiation? How did you maximize the joint gains?

MEHTA, K. (2012). Says that "A creative first offer that includes elements other than price gives the counterpart more flexibility in the negotiation. It also provides vital information about the potential for value creation." Following this view, I presented each of the parties with a modified offering which would make them understand that I'm ready to expand the pie together - taking an "integrative negotiation" stance. Through this I inculcated the thinking among the trade unions that there can be layoffs but they will be offered better career transition solutions such as opportunities to set up their own businesses. The end result was a win-win solution where the trade union representatives also had something valuable to take back to their union members while DUA also had the chance to purchase the business. We achieved a better position by trading differing beliefs about the future (DUA wanting to cut cost by laying off employees/ moving jobs outside Australia vs trade unions wanting to list the promise of "job security" to its members). With the shareholders' representative I tried to expand the pie but given that the shareholders' representative was quite firm on \$6 as well as the price brought up by the addendum was also the same I ended up concluding at \$6/share - an achievement apparently I can't be too proud of.

How did your relationship with other parties change throughout the negotiation? How did you update your strategies and tactics as the negotiations progressed and new information came to light?

At the very beginning I managed to build a good relationship with the government representative and the shareholders' representative. This was especially soon after I noticed that the CEO and the trade union representative were trying to build a coalition with the shareholders' representative. Immediately I got an isolated meeting with the shareholders' representative and discussed about the interests and the positions of the shareholders. Similarly I spoke to the trade union representative and made a creative offer that goes beyond just job cuts and compensations. Because of this the two parties in concern were carrying out a fact based negotiation. However the CEO seems to be trying to get an upperhand in the deal which lead to limited communication with me and not being willing to discuss the underlying issues, interests and positions in order to arrive at a win-win negotiation. The government representative remained quite neutral after the initial rapport building that I did. He remained on this firm position on the share prices and did not make any influence on the other parties. Regardless of the coalition, I maintained a positive relationship with all the parties concerned.

On what basis did you join or refuse to join a coalition? How did you strengthen it? How did you weaken it?

I built the coalition with the shareholders' representative and the government representative. This is because I recognised that these are the two key decision makers in this transaction while the CEO holds position and charismatic power and the trade unions holding the collective

bargaining power. In order to develop and strengthen the coalition I used the concept of "Interest, Rights & Power" (Lytle, A. L., et al, 1999). I explored the interests of the shareholders' representative and the government representative as much as possible to get an understanding of how to work out a win-win solution. In the meantime I tried my best to build a close relationship with the trade unions also. Understanding the interests and looking at potential win-win positions helped immensely. In order to strengthen the coalition I always emphasised the value of each of the positions offered to them and the importance of mutual support.

What cognitive biases did you observe in yourself and the other parties? How did they affect the negotiation and how did you manage these biases?

I believe the biggest mistake that I did was driving myself by the cognitive bias that I should make this acquisition as harmless as possible and to give concessions to all the parties. In the process I lost focus on the BATNA at the last moment as well. Among the other parties also seemed to have some cognitive bias when it comes to processing information. They would Try to simplify the available information and also be focused on creating a win-lose situation, which leads to ignoring some of the valuable information that can lead the negotiation towards an integrative solution where we could have expanded the possibilities before the pie is being divided. In order to manage these biases I always reminded each party that we should look at this negotiation from a win-win point of view while encouraging them to look at creative ways of making more value in the negotiation.

What emotions did you observe in yourself and the other parties? How did they affect the negotiation and how did you manage these emotions?

I observed that my emotions varied over time. In the beginning, I thought I will hold a lot of power in the negotiation. But soon I observed that a coalition is getting formed and I will be in a disadvantageous position if that happens. Therefore I created a new coalition which made me somewhat confident. Also, the emotions of the other parties seemed to vary with time. They were quite confident soon after forming their alliance and indicated inflexibility and not being able to make concessions. However, with the separation of the shareholders' representative from the rest, they figured out that they will have to drive the bargain purely based on their own factors. At the very end, the CEO was quite anxious about her future with the developments and hesitated to sign the final agreement. In order to manage these emotions, I used a positive approach of recognising their emotions and supporting them to manage their emotions.

Conclusion

Overall, this exercise was quite exciting for me. It made me understand how negotiations work in a real business environment, how to practice the principles of negotiation such as BATNA, reservation value and interpersonal aspects of negotiations. I learned how people's behaviours can affect a negotiation scenario, not only individual emotions of mine and theirs but also the group dynamics that get created when they get into coalitions. Another powerful learning for me was the importance of sticking to the principles always since I lost a lot of points by not choosing my BATNA, which came in through the addendum.

References

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