



Aussie Air

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Overview of Webinar

45 minutes

- Motivation for the case
- Overview of the case
- Reminders for students & key logistics
- Debrief plan

15 minutes

- Q&A



Motivation for the Case

- Complement to Harborco (multi-party/issue)
 - Google Harborco...find a matrix with all possible solutions in 30 seconds
- Introduce dynamism
 - 2010 - Using ‘Shocks and rumors’ to teach adaptive thinking, Negotiation Journal, 26(1), 69-83.



“Grounded” in Reality





Overview

Aussie Air is a quantifiable, multiparty, dynamic negotiation exercise in which coalitions typically have a large influence over the outcome. Key concepts:

1. the dynamic nature of social context in negotiation and *especially* in multiparty negotiation
2. the need for negotiators to update their plans throughout the negotiation process to account for these changing contextual factors (e.g., assumptions, interests, relationships between parties)



Dynamic Exercises

- Dynamic simulations can introduce game-changing information through:
 1. New facts “shocks” or “rumors.”
 2. New understanding of the negotiators' roles and relationships with other parties.
 3. New understanding of the other parties' interests or constraints.
 4. New understanding of one's own interests or constraints.



Student Intro to *Aussie Air* Parties

DUA buyer (private equity)

AAS seller (shareholders)

MGT current top management team

ACTU unions

GOVT government agency with power to
approve the deal



Aussie Air Contract

Group _____

DUA_____AAS_____MGT_____ACT_____GOVT_____

Share Price (\$): 5.25 5.50 5.75 6.00 6.25

Jobs kept in Oz (%): 100 90 80 70

Mgt Contract (years): 0 1 3 5

Sickout: yes no

No Deal: yes no

Mgt Resignation: yes no

Govt Delay: yes no



Aussie Air Requirements

- DUA & AAS must agree to a cash transfer price
- GOVT must approve that the deal leaves Aussie Air with 51% Australian ownership
- No agreement can be finalized before the third meeting



Reminders of Tactics to create Integrative Solutions

- Unbundle the issues
- Set priorities on sets of issues not individual issues (As, Bs)
- Ask the other party to do the same
- ASK AND LISTEN: get diagnostic information
- Start with issues that both parties have as 'As'
- Then move to new sets of issues looking for complementary issues
- Package issues and avoid sequential bargaining. Use multiple offers simultaneously
- Finish with post settlement-settlement



Reminders about Coalitions

- A coalition is formed when two or more parties:
 - Join together in using their resources to influence the outcome of a decision involving at least three parties
 - Make an explicit agreement about the distribution of the resources



Reminders: Coalitional Negotiation Nature & Challenges

- Nature of coalitional negotiation
 - Use when parties do not have sufficient individual resources to control an outcome affecting them
 - Must cooperate with others to obtain collective resources which in combination can potentially control the outcome
 - But, then, compete for distribution of resources
- Generates three challenges:
 - Formation of the coalition
 - Distribution of resources among coalition members
 - Maintenance of the coalition



LOGISTICS

Aussie Air Teams

Group	CEO Aussie Air - MGT	DUA (Buyers)	ACTU - Union	FIRB -Govt	AAS (Sellers)
1	Tom	George	Brent	Sue	Prahbat
2	Wei	Tara/Jacqui	Alex	Jenny	Dan D
3	Ty	Dan D	Hailey	Miles	Jordan
4	Davin	Nurit	Jaime	Jay	Sean



Aussie Air Time Line:

Work/Work/Work to get a better deal!

Time	Duration	Activity
2:00 – 2:20	20 min	Introduction of exercise/expectations
2:20 – 2:30	10 min	Intro/Joint meeting led by DUA 1
2:30 – 2:50	20 min	Private meetings
2:50 – 3:10	20 min	Joint meeting 2 - ADDENDUMS
3:10 – 3:40	30 min	Private meetings and stretch/break
3:40 – 4:00	20 min	Joint meeting 3
4:00 – 4:10	15 min	Report results
4:10 - 4:40	30 min	Debrief



Aussie Air Room Rooms

- Each team needs a relatively private space for “Joint meetings” (preferably a break-out room)
- People need some ideas about where they can conduct “Private meetings” (halls, etc)
- Professor should encourage private meetings



Aussie Air - Debrief

a quantifiable, multiparty, dynamic negotiation



Aussie Air Themes

- Multi-party, multi-issue negotiations – integrative process
 - Uncovering information and evaluating information
 - Integrating information into an agreement
- Coalitional negotiation – distributive process
 - Cooperate with others to obtain collective resources
 - Compete for resources
- Dynamic negotiations



Integrative Negotiations

- Getting information out on the table and searching for underlying interests
- Organizing that information
- Integrating that information into a decision



Strengthening Coalitions

- Make the value of “joining us” clear to others (i.e. quantify!)
- Make the costs of “not joining” clear (quantify).
- Engage personally: Inter-personal appeal and costs of reneging.
- Get in or get locked out! Some coalitions will preclude you.



What is my RP?

- Reservation prices are base minimum. A little help with RP & BATNAs
 - Buyer (DUA) and Seller (AAS) = no deal value
 - Mgt = resignation value
 - Union = sickout value
 - Govt = delay value



What should I Get: My Aspiration?

- Appeal to equity (DUA, MGT), equality (joint sharing) and need (e.g. ACTU/FIRB)?
- Aggregate halfway points?
- Risks of starting too aggressively?
- Updating and improvising when getting close. Shifting aspirations based on emerging deals.
- Overly complex to solve simultaneous equations here. Advanced software programming for all combinations.



Aussie Air Planning Doc

Issues/Positions	DUA	AAS	Mgt	Union	Govt
Price					
Interest					
Priority					
Jobs					
Interest					
Priority					
Mgt Contract					
Interest					
Priority					
Sickout					
Interest					
Priority					



Aussie Air Planning Doc

Issues/Positions	DUA	AAS	Mgt	Union	Govt
Price	Low	High	High	Low with low % Jobs/ High w high% jobs	low
Interest	money	money	money	jobs	less debt
Priority	1	1	2	2 but	2
Jobs	Low	High	low	High	high
Interest	flexibiity/money	employment	flexibility	employment	employment
Priority	2	2	3	1	1
Mgt Contract	low	low	high	high	high
Interest	flexibility	money	employment	known quantity	voters' employment
Priority	3	3	1	3	3
Sickout	no	neutral	no	yes	no
Interest	cost		costs	gains	costs
Priority	4	4	4	4	4
RP	500 pts	500 pts	500 pt Resignation Value	600 pts Sickout value	300 pts Delay vlaue
BATNA	invest elsewhere	sell shares at market price	retain jobs	retain jobs	retain Australian ownership and jobs of voters



Aussie Air Offer Chart

Issue	Option	Offer 1	Offer 2	Offer 3	Offer 4
Share Price	\$5.25				
	\$5.50				
	\$5.75				
	\$6.00				
	\$6.25				
Jobs Kept in Australia	100%				
	90%				
	80%				
	70%				
Management Contract	0 years				
	1 year				
	3 years				
	5 years				



Integrative Outcomes

- Which groups reached integrative 5 party outcomes?
- How did you do this?
 - Build a core with buyers/sellers/unions, add govt and mgt?
 - Work all 5 parties simultaneously
- What did mgt do to get in the agreement?
 - Build coalitions?



Coalition Formation

- Your attractiveness (power to join) to a coalition depends on
 - what resources a coalition needs to prevail
 - what resources you bring to the coalition
 - what resources you can obtain from joining an alternative coalition
- Your power is the inverse of your dependency on others and their need for your resources
- To lure a someone into the coalition:
 - Make the value of joining clear
 - Make the cost of not joining clear



Why are Coalitions Unstable?

- Usually another coalition (or left-out party) that can offer a current coalition member more collective resources to abandon the coalition and take up with a different coalition.
- Rarely if ever a stable, up-front system for rational allocation of pool of resources between competing parties.
- Coalition solutions to multi-party interdependent decision making for infinite loops of formation and reformation!
- How can coalitions be held together?



Coalition Maintenance

- Develop social contracts – Seek informal commitments
- Use justice norms - appeal to logic and rationality
 - Equity
 - Equality
 - Need
- The interpersonal glue – appeal to emotion and obligation



Aussie Air Coalitions

- Which groups reach 2,3 or 4 party outcomes?
- What coalitions formed?
- When? Prior to negotiation? First private meeting? Second private meeting?
- Did they last? Why? Why not?
- Did some 5 party agreements start out as coalitional?



Aussie Air Addendums

Shocks and Rumors

- DUA – fact - improved BATNA shareholder will sell 15% @ \$6.00
- AAS – rumor - independent analysis values shares at \$5.54-6.26
- MGT – rumor - DUA is considering hiring as CEO person running BlueJet in US
- Union – rumor – DUA has started talks with Malaysian firm for maintenance
- Govt – gains “credible information” about an outsourcing deal



Aussie Air Addendums Shocks and Rumors

- Did new information make you question your coalition?
- Did new information make you change your strategy?
- What is the first thing you should do with new information?



Aussie Air Results

- Any “no agreements”? Why?
 - Lack of understanding of parties’ interests
 - Over reliance on coalitions
 - Failure to update or disregard new information
 - Failure to use multi-issue offers?



Aussie Air Learning Points

- Preparation with RPs and (constantly updated) APs
- Integrative negotiating framework
- Mindful of fluid issues: who, when, how
- Distributive mechanisms: cost to me of not being in; cost to them of not being in; getting in before it's too late.



What Really Happened



- Exercise based on 2007 attempted takeover of Qantas by a private equity firm
- Was unsuccessful largely because everyone got too greedy. Stock was probably undervalued, market shot up, shareholders reneged on agreements to sell because market went above the offer.
- Buyers could not get 50% of the stock



And labor issues continue...



BUSINESS | OCTOBER 11, 2011

Strike Threat Disrupts Qantas Flights

By ROSS KELLY

SYDNEY—[Qantas Airways](#) Ltd. said flight plans were disrupted for thousands of its passengers Monday even though a union representing aircraft engineers canceled scheduled strikes in Sydney, Melbourne and Brisbane.

The Australian Licensed Aircraft Engineers Association said it called off the four-hour strikes because the company threatened to withhold as much as seven hours' pay for time not worked. The airline denied that charge.

Qantas said more than 11,000 passengers were affected as the airline canceled 40 flights and delayed 24 others as much as three and a half hours. It is the second time in as many weeks that the airline has faced a late strike cancellation and hasn't been able to reinstate flights.