

Project Paper

HRM 505 (MBA) - Managerial Negotiations

Submitted By

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Abstract

In Bangladesh, we have seen many organizations facing negotiation issues since their inception. Some organizations could survive the plethora of ongoing public demands and economic challenges, others could not. In this project paper, we analyzed three organizations - ACCORD, Citycell, DOEL Laptop which went through a series of negotiations among different parties and upgrades of products or services based on market dynamics. We found plenty of examples among these organizations that comply with lessons of our Managerial Negotiations course. In the ACCORD case, we found how this agreement plays a significant role to maintain harmony among retailers, trade unions and global brands and establish a safer, healthier working environment. We see how Citycell could not negotiate higher bandwidth in the telecommunication spectrum, and failed to keep pace with rising technologies. And when DOEL Laptop could not survive in the market competing with global brands, we observe certain tactics cannot make progress without understanding public needs and future foresights.

Introduction

Bangladesh is the third largest garment exporter to the United States. The garment industry employs approximately 3.5 million people and accounts for 80 percent of the country's exports. These workers are subjected to some of the worst working circumstances in the business, including low pay, verbal and physical harassment, reprisal for campaigning for improved working conditions, and hazardous industrial environments. RMG Sectors in Bangladesh has gone through *countless tragedies* like *Tazreen Fashion, Standard Garments and Shejan factory fire*, which only gives a clear example of irresponsibility. Back in April 2013, an eight-story building in Bangladesh known as Rana Plaza had collapsed, killing an estimated 1,134 people, many of them low-wage garment workers who made goods for foreign companies. Production lines at Rana Plaza were created for a few significant brands and retailers, including JCPenney, The Children's Place, and Walmart. Large numbers of these organizations had examined the industrial facility in the months paving the way to the breakdown—yet these reviews neglected to distinguish or address the security infringement that would prompt fiasco. In the weeks after

the disaster, apparel outsourcers faced mounting public pressure to address hazardous conditions in the factories where their goods are manufactured. ***Labor unions focused their efforts on persuading Swedish “cheap chic” giant H&M to take the lead on safety improvements.***

If anyone ever tries to recall a Bangladeshi originated Telephone operator, the first name that should be mentioned is none other than the Citycell. Citycell was the first-ever telephone operator in Bangladesh, which was established in 1989. Being the pioneer and the oldest of all other mobile operators in Bangladesh, ***Citycell once had the highest market share in the Bangladesh mobile market.*** Citycell was the only telecommunication operator that dominated the local mobile market using the CDMA and EVDO technology. It was one of the 3 earliest networks in South-Asia accompanied by ETISALAT in Sri Lanka and PAKTEL in Pakistan. This operator had 1.9 million subscribers in the year 2011 and eventually ended up being bankrupted in 2016 because of the company’s inadequate providence and reluctance to adopt new technologies over time.

Remember the “DOEL” laptop? It was the first laptop to be assembled in Bangladesh. In 2011, the Telephone Shilpa Sangstha Limited, launched the first DOEL laptops as part of a project under the National Education Program. In 2010-2011, Asian nations became highly encouraged to bring their personal merchandise to the electronics market. To lessen its reliance on Intel processors, China took the initiative to construct PC processors. India additionally attempted to deliver its very own pills to the market. ***Meanwhile Bangladesh took the initiative to offer low-cost laptops to the school & university going college students through regionally assembled laptops.*** Although DOEL came with the aim of delivering laptops to everyone at low prices, the laptop did not create such an impact in the market.

Case Study 1

Accord on Fire and Building Safety in Bangladesh

Background Scenario:

The Accord on Fire and Building Safety in Bangladesh (the Accord) was signed on 15 May 2013. It is a five-year independent, legally binding agreement between global brands and retailers and trade unions designed to build a safe and healthy Bangladeshi ReadyMade Garment (RMG) Industry. The agreement was created in the immediate aftermath of the Rana Plaza building collapse that led to the death of more than 1100 people and injured more than 2000. In June 2013, an implementation plan was agreed leading to the incorporation of the Bangladesh Accord Foundation in the Netherlands in October 2013.

The agreement consists of six key components:

1. A five-year legally binding agreement between brands and trade unions to ensure a safe working environment in the Bangladeshi RMG industry
2. An independent inspection program supported by brands in which workers and trade unions are involved
3. Public disclosure of all factories, inspection reports and corrective action plans (CAP)
4. A commitment by signatory brands to ensure sufficient funds are available for remediation and to maintain sourcing relationships
5. Democratically elected health and safety committees in all factories to identify and act on health and safety risks
6. Worker empowerment through an extensive training program, complaints mechanism and right to refuse unsafe work

Negotiation Parties:

In May 2013 the Accord on Fire and Building Safety in Bangladesh was established for five years. The Accord is a binding instrument initiated by Bangladeshi trade unions and Global Union Federations together with labor rights groups. It has been signed by over 200 global fashion brands and retailers, Bangladeshi trade unions and Global Union Federations. The Clean Clothes Campaign is one of the four witness signatories. The ILO (International Labor Organization) functions as a neutral chair.

1) Global Union Federations -IndustriALL Global Union & UNI Global Union

2) Bangladeshi trade unions- National Garments Workers Federation (NGWF), Bangladesh Independent Garment Workers Union Federation (BIGUF), plus the Bangladesh Independent Garments Workers Federation (BIGWF) and Bangladesh Revolutionary Garment Workers Federation (BRGWF);

3) 200 Brands of Retailers (Hugo Boss, ZARA,H&M....)

4) ILO (International Labor Organization)- neutral chair.

5) NGOs - who signed the Accord as witnesses: Clean Clothes Campaign, Maquila Solidarity Network, International Labor Rights Forum, Workers Rights Consortium.

Accord in Practice:

Examples of issues identified in inspections

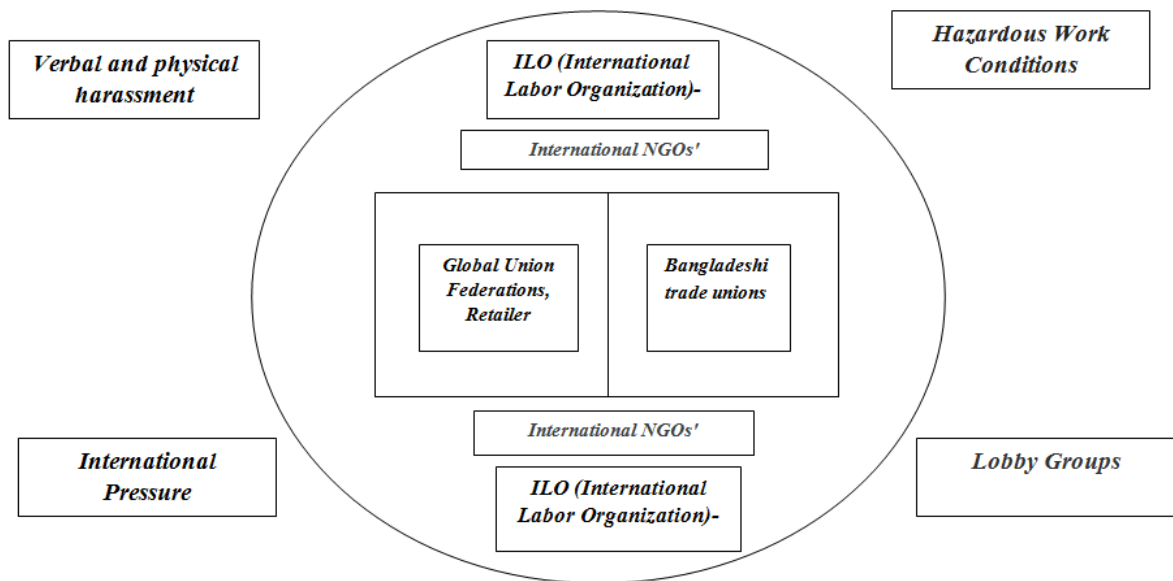
- Need to remove lockable gates on exits and install fire doors, automatic sprinkler system and automatic fire alarm system.
- Need to reduce weight loads in certain areas of the factory through moving material, stock, or supplies.
- Requirement for better support for and enclosure of electrical cables and need to improve maintenance procedures around items such as electrical circuits, for example keeping them free of dust.

Safety Inspection – step by step

- A notice of inspection is issued two weeks prior to the inspection to the factory
- Teams of safety inspectors conduct the inspection
- A report of the inspection, along with a remediation plan where needed, is sent to the factory owner, the signatory brand and worker representatives within two weeks of the inspection
- Owner, brands and worker representatives discuss the report and develop a final remediation plan
- The final remediation plan is reviewed by Accord staff
- The inspection reports and final remediation plan are published on the Accord website within six weeks after the inspection
- Continuous monitoring of the Corrective Action Plans by Accord inspectors

Question Answer:

1) Who signed the Accord on Fire and Building Safety in Bangladesh?



2) Why does the Accord on Fire and Building Safety focus on Bangladesh only? - Bangladesh has a long history of health and safety tragedies, such as garment factory fires and collapses, killing at least 1800 workers since 2005. The Accord is a program which is specially developed for the specific situation in Bangladesh, based on many cases picked up by the organizations setting up the Accord. However the parties recognize that workers in other countries are not working in safe conditions either. Therefore we believe that the principles and implementations of the Accord should serve as examples to develop safety programs in other garment producing countries as well.

3) How does the Accord on Fire and Building Safety in Bangladesh relate to the Fire and Building Safety Agreement? - The Accord on Fire and Building Safety grew out of the Fire and Building Safety Agreement that was first presented by international and Bangladeshi trade unions and allies at a 2011 meeting after the That's It Sportswear fire in Bangladesh. This proposal was a result of discussions that took place after the Spectrum factory collapse in 2005. The **'Bangladesh Fire and Building Safety**

Agreement' included two buyers, PvH/Tommy Hilfiger and Tchibo, but it needed at least two more brands to enable it to start its activities. Regrettably, it took a disaster of the magnitude of Rana Plaza for other brands to follow their example. Over the course of the negotiations with new brands several changes were made, and the “**Bangladesh Fire and Building Safety Agreement**” was renamed “**Bangladesh Fire and Building Safety Accord**” to reflect those changes.

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Case Study 2

Citycell

Background:

Citycell was the first and oldest mobile operator in Bangladesh. It was the only mobile operator in Bangladesh which used CDMA and EVDO technology. Citycell was owned by SingTel (44.54%), Pacific Motors (37.95%) and Far East Telecom (17.51%). During its peak time in 2011, Citycell had 1.9 million customers. Before closing in 2016, Citycell subscribers number declined to 0.142 million. It was shut down by Bangladesh Telecommunication Regulatory Commission (BTRC) for not paying dues properly.

Why Citycell Failed?

- **Not Adopting GSM Technology**

One of the reasons for Citycell's failure is its reluctance to adopt new technology. This was a Marketing Myopia when they were satisfied with CDMA technology while the customers were switching to GSM mobile sets. During 2011, Citycell earned 347.02 Crore BDT revenue which suffered a drastic drop in 2012. It came at 267.64 Crore BDT.

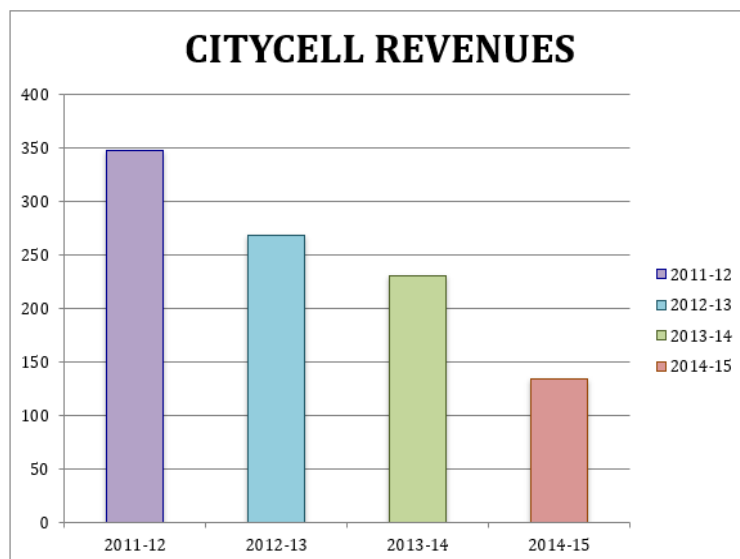


Figure: Citycell's Decline in Revenues (Figures in Crore BDT)

- **Not bidding for 3G Networks**

Citycell lagged further when they did not bid for 3G networks. When the whole world was moving from 2G to 3G, Citycell could not anticipate the future rise of 3G technologies.

- **Less Frequency and Bandwidth**

Citycell could not negotiate for higher frequency and bandwidth in the spectrum. Therefore, Citycell phones were not convenient to use in the remote areas of Bangladesh. Due to poor bandwidth of CDMA technology, their signal reception was weak. Lack of investment to construct mobile towers was a reason for their technical lagging.

- **Repayment of Fine**

When BTRC conducted an official raid in Citycell Head-Office in May 2007, they found that the company was involved in illegal VoIP or international call termination. They were fined about 150 Crore BDT which further deteriorated Citycell's financial condition.

- **Failed Negotiation with BTRC**

Citycell wanted to get back into track adopting GSM once their dues would have been cleared. But they could not get their expected frequency of 10 MHz. BTRC wanted to give them only 6.5 or 6.8 MHz.

- **Not Using BATNA**

BATNA or Best Alternative To a Negotiated Agreement is an important concept in business. Citycell could not make good use of it. They were provisioned for fixed phones as well when they were issued telecom operations licenses in 1989. But they never went for it.

- **Inefficient Leadership**

Many Citycell executives anonymously expressed their dissatisfaction about decision makers of the company. They failed to attract investment and could not make timely decisions.

Questions and Answers

Q. Which approach did citycell follow in terms of adopting new technology?

Answer: Avoiding. When GSM technology was introduced in Bangladesh and all other telecom companies were bidding for it, Citycell was reluctant to adopt it. They retained the CDMA technology.

Q. How was the market competition in the telecom sector of Bangladesh when Citycell was launched? And how did Citycell take advantage of it?

Answer: As Citycell was the first mobile operator in Bangladesh, they enjoyed Monopoly in the market. Mobile service was very unique at that time and competition was least. Citycell followed a Hardball Technique of offering high prices for both outgoing and incoming calls. They used to charge 10 BDT/minute for outgoing calls, and 8.5 BDT/minute for incoming calls.

Q. Could Citycell utilize any BATNA?

Answer: Yes, they could evaluate and select from alternatives. In Particular, they could switch from CDMA to WCDMA which is a 3G technology that can work alongside GSM technologies.

Q. Did Citycell maintain a distributive approach about other telecom operators?

Answer: As we can see, their clinging to CDMA had a distributive motive of holding back their customers to only using Citycell sim cards. The main difference between GSM and CDMA is that GSM handsets have SIM card slots, while CDMA has a fixed SIM card number for a handset. CDMA sim users could not use multiple sim cards. That's why Citycell lost many of their customers. If they moved to GSM, their customers could use multiple sim cards along with Citycell, so they could retain their customer-base.

Q. Could Citycell understand the preference order of the customers?

Answer: In Game Theory, an interesting concept is the preference order. Each party needs to be aware of their own and other party's preference orders. When 3G technologies emerged, people became more interested in using mobile phones for social media, web browsing, video conferencing etc. Their preference order for 3G was greater than 2G. Citycell could not foresee this preference.

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Case Study 3

DOEL Laptop

Background

In 2011, the Telephone Shilpa Sangstha Limited released the primary DOEL laptops as a part of an undertaking under the National Education Program. At that time there was a lot of hype about these laptops with hopes that good quality laptops would be available in the country at low prices. The primary objective of launching DOEL laptops was to offer low-cost computers to the school & college students through regionally assembled laptops. The name DOEL is the national bird of Bangladesh, which is thought to revolutionise the excessive tech enterprise of the country. It was expected to aid in educating local manpower and improve the country's ICT expertise.

Reasons of Failure

After being disclosed to the laptop market in 2011, the production of DOEL was postponed within 2 years. There are a couple of significant reasons for the failure of DOEL laptops. Here are the some of them:

Quality:

Consumer perception is one of the root causes of failing this project. Because consumers were very worried about the quality of the product. As the laptops were very affordable in nature, TSS was manufacturing laptops with very low configurations. For this reason, the laptops were poorly performing, and the users were not happy with the performance. A study showed in 2014 by mentioning some statistical data of the performance

- 83% of users complained about battery performance
- 35% complained about RAM (speed)
- 18% complained about processors

Durability:

Most of the components were not durable. This directly impacted on the satisfaction level of the users. As everyone wants to use a laptop for a significant period, this laptop's components failed to keep the contentment of the consumers.

	Frequency		Percentage	
	Don't Face Problem	Face Problem	Don't Face Problem	Face Problem
Processor Problem	33	7	82.5%	17.5%
RAM Problem	26	14	65.0%	35.0%
Hard Disk Problem	40	0	100%	0%
Stand by Duration	7	33	17.5%	82.5%
Audio, I/O Connectivity Problem	37	3	92.5%	7.5%
Bluetooth and Wi-Fi Problem	34	6	85%	15%
Key Board Problem	40	0	100%	0%
Charger Problem	36	4	90%	10%
Screen Resolution Problem	38	2	95%	5%
Other Problems	40	0	100%	0%

Figure: Problems faced by DOEL laptop user

Source: Hoque, Fauji & Balo; Enactment of a Local Laptop Brand: A Study on DOEL Laptop

After-Sales Service:

Generally, electronic devices must have an after sales service program so that any consumer can solve their issues after buying the product. Surprisingly, there was no after sales service for DOEL, which resulted in people losing faith in the laptops as well as this might be one of the key reasons for its low demand.

Comparison:

The laptop market was booming due to the improvement of internet infrastructure and digitization. So, the performance and durability were playing the key factors to buy new laptops rather than price. Consumers could easily compare DOEL laptops with other local or international brands. In some cases, consumers could easily buy highly configured laptops than DOEL just sacrificing the cost value. That's why affordable prices could not hold the market, rather performance played the key role here.

Question-Answer:

Q. How was the market competition in the laptop sector of Bangladesh market when DOEL laptop was launched?

Ans: Oligopoly.

Q. Which approach did Doel laptop follow in terms of adopting new technology?

Ans: Accommodating (they compromised with the configuration).

Q. Which tactics did they follow for their price offering?

Ans: Lowball tactics.

Q. What type of bargaining did they follow after initial failure?

Ans: Interest Based bargaining (Integrative). As they left the past issues behind, they were focusing on issues of their laptop. Showing honesty & integrity is also maturity. Also they were showing interest to do better with their laptops.

Q. Is it an integrative negotiation process? Why?

Ans: Yes. Because they identified the problem that the configuration was low. They identified the interest of the consumer that - they wanted a laptop with good configuration at a reasonable price. They were expanding the pie and generating a bridge solution as alternative solutions.

Some solutions with the help of various agenda for this failure project:

Solution 1: This issue is a divisible issue – issues can be easily divided into small parts and units. Here, not having proper branding, not giving the after-sale service, backdated design and technical problems are included.

It is a long term relationship – expected interaction in the future. TSS as the trusted, prestigious third party available now. Both the consumer and the laptop company suffer and gain equally.

So, the problem was easy to resolve by giving after-sale service, good configuration parts, changing design and proper promotion and branding.

Solution 2: From the dual concern model we can describe the problem as the laptop company derives satisfaction from meeting the needs of others and they offer a cheap price. For them the relationship was important. But the problem was the low configuration of the laptops. They could make this situation a win-win. For this they could provide a little bit of high configuration parts with a reasonable offer of price.

Solution 3: Doel laptop manufacturer's preference order:

cheap price with low configuration > cheap price with good configuration > high price with good configuration > high price with low configuration

Doel laptop consumer's preference order: cheap price with good configuration > high price with good configuration > cheap price with cheap configuration > high price with low configuration

To make it a successful project they could change their strategy by changing their preferences by considering consumer's preferences.

Solution 4: They could follow a well-planned strategy (overall plan to achieve one's goal). Now-a-days people check configuration before buying a laptop and this happens most of the time in big cities. In small towns most people want a reasonably priced laptop. So experts could select and develop a strategy to target the small town people and do proper branding on those areas and make profit.

Solution 5: DOEL laptop's manufacturer is one party and consumer is another party. Here, Govt. played the role of sideliners who could affect the whole game. TSS (Telephone Shilpa Shangstha) is playing the role of interested observers who are in the stands. They are the main partner to help the laptop company. In the broader environment in which the negotiation took place there were many brands such as Asus, Dell, Lenovo etc. All of these factors were affecting the Doel laptop market and could also help it to apply better strategies to make profit in future.

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