

**Role Play**

**The Union Negotiation**

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Concrear is an industrial manufacturing plant in Central America founded by Diego Morales and still owned and operated by the Morales family. The family’s youngest son, Andres Morales (25 years old), is in charge of labor relations. Andres had previously been frustrated by the notoriously corrupt but government-endorsed Workers Confederation union that represents practically all of the factory workers in this small country. Unions in this country receive money that is automatically deducted from the wages of affiliated workers, and at the same time get funds from the national government. They also are subjected to very little oversight. This has resulted in endemic corruption, constant strikes, and abuses across all levels of union organizations.

The years before Andres started the job, the local union delegate’s corruption had become a major problem. One example of this was when members of the Morales family caught the union delegate and other employees stealing construction materials by burying them in the sand that was to be donated to the union. When the trucks were later loaded they would take not only the sand but also the buried valuable construction materials. The Workers Confederation delegate also managed to establish an agreement with the former factory manager to inflate payable employee hours and then force the employees to give them the extra wages. That the union was able and willing to steal not only from the company but also from its own employees shows the power and corruption of the Worker’s Confederation.

In the past, union negotiations had been managed by CEO and founder Diego Morales, Andres’ father, who had a soft approach in that he tended to concede to any demands so that he could go back to managing the rest of the business. After Andres convinced his father to allow for him to take over the negotiations he felt under pressure to show his father that things could be done better. However, going in to the role Andres was not that confident, knowing that his father’s past strategy would reduce his ability to negotiate effectively with the union and that his inexperience in management would reduce his ability to get the employees to understand that he was trying to work in favor of both sides.

During Andres’ first year managing the union negotiations, the company was under financial stress, which meant that the yearly national salary negotiations undertaken by the national body of the Workers Confederation and the Government, once rolled down to company level, would put Concrear in serious danger of going out of business. This presented an opportunity to try to negotiate a deal that would save the company and allow for Andres to prove himself to his father. If you were Andres, what would you do:

1. Wait until the national negotiations results to come out and, only if the deal is bad for Concrear, claim the risk of bankruptcy to gain concessions from the union.
2. Initiate negotiations with the union right away to preempt the national deal and avoid having to work under a negative precedent.
3. Bypass the union and reach out to a family friend within the government to negotiate better exclusive terms in the national deal due to your particular bankruptcy risk.
4. Ask your dad for advice on how to handle the situation.

*Note: Please do not turn to the next page until instructed to do so by your professor.*

1. The First Negotiation

Andres’ strategy was to avoid the union delegates, and negotiate directly with a family contact in the government, who is directly involved in the national level negotiations (option 3). This meant that, as soon as Andres’ tried to negotiate a favorable deal for the workers and the company, the union delegate took the whole company on strike to prove his power. Andres was barely able to bring the union to the table and come to a salary deal that would keep the company afloat while being fair to the employees.

These negative interactions with the union had taken months of Andres’ time that could otherwise be focused on growing the business and making more money for everyone. But the union does not see it that way—for them, Andres is the enemy and he is clearly treated that way. When asked, Andres says that the days in which he talks to the union are clearly the worst days of his job. Waking up with the knowledge that the day is booked with meetings with the union is a great way to spoil an otherwise beautiful sunny day!

Two years after the last strike, the company is now expanding operations and has started building a second production facility in an isolated region with few factories and minimal union presence. Andres is considering several options now that Concrear will hire 80 employees for its second factory.

Imagine you are Andres. What would you do?

Contact the Workers Confederation authorities in the region the new factory is in as soon as possible. Invite them for early talks about how to develop the relationship towards the new factory.

Start operations and wait until the second factory reaches the union-established maximum number of employees that you can have without selecting a union delegate (15 people) and then reach out to the local Workers Confederation authorities to discuss how to work together going forward.

Try to avoid unions altogether in the isolated area, while going above the union-established maximum number of non-unionized employees (15). The mandatory maximum number of 15 is set by the union, not the government, so it is not illegal to do this.

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1. The Fiasco

Andres decided to attempt to avoid unions all together (option 3). A year later, there was still no union at Concrear’s second factory. But at the same time, a general economic downturn meant that fewer orders were coming in from the government, the company’s primary customer. Andres realized that Concrear had hired too many workers, making layoffs of at least 40 people necessary.

Just a few weeks after deciding to lay off a significant part of the workforce, Andres discovered that someone was enrolling the workers in a militant workers’ federation called Collective Action. Collective Action was not recognized as a legitimate union by the government.

The following Tuesday afternoon, Francisco, a worker who was generally late, underperforming, and defiant of authority, got into an argument with the plant manager, Carlos. Francisco seemingly out of nowhere insulted Carlos and left the factory in the middle of the shift. The plant manager responded by firing Francisco.

Wednesday morning, Andres received a call from Carlos, the factory manager: the whole plant was on strike, over Francisco’s dismissal! When Andres arrived at the factory he was greeted by a pile of burning tires outside the factory entrance, and large flags for Collective Action hanging from the front gates.

Upon his arrival, Andres received a call on his cell phone from Collective Action’s leadership summoning him to a nearby yet isolated gas station for a meeting. Where had they gotten his number? In any event, what would you do in Andres place at this exact moment?

1. You drive to the gas station alone in your car?

You call a few of the management to come along with you to the gas station?

You call a few policemen to come along with you to the gas station, just in case?

You say that you will only meet them at your office and schedule a time for them to do so?

You call the police to disband the illegal action at your factory and to arrest the troublemakers who invited you to meet at a suspicious venue with a clear intent to kidnap or coerce you?

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1. The Bull

Andres drove to the gas station alone in his car (Option 1) and was met by four pick-up trucks with fifteen large, aggressive looking fellows. The largest one of them spoke first. He introduced himself as Raul, but everyone called him The Bull. He weighed about 130kg of muscles, had tattooed arms, and also had an additional prison-style tattoo near the back of his bald head. He immediately yelled at Andres, accusing Concrear of acting unethically and demanding that they re-hire Francisco and recognize Collective Action as their official union.

Imagine Raul, aka The Bull just yelled at you for an answer to his demands. What would you do?

1. Do you calmly walk back to your car, tell them that they know where they can meet you at your office and drive away?
2. Do you call the police and say that you are being illegally intimidated by criminals?

Do you rehire Francisco and recognize Collective Action as their official union?

Do you only rehire Francisco? Or only recognize Collective Action as their official union?

Do you say that you will only do any of these two things IF the Collective Action agrees to stop the strike right now?

Do you contact the Workers Confederation union from Concrear’s first factory to tell them that Collective Action is encroaching on their territory and have them talk to The Bull?

Do you just start to negotiate with The Bull to better understand their demands? In private or in public? Alone or in teams?

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1. The Strike Continues

Andres decided to negotiate with The Bull (option 7). The negotiation was accompanied by a strike, and both lasted an entire week. Andres invited The Bull to one-on-one meetings in his office later during the negotiation and The Bull agreed. What do you expect The Bull’s interests to be?

1. The Bull is a criminal who only wants power, to remain in the margins/illegality and beat down management.
2. The Bull is just a leftist troublemaker who hates management as the ultimate enemy and no matter what management does, he and his union will always be in opposition with management.
3. The Bull truly believes that he is doing the work of protecting the workers against inequities from the management.
4. The Bull wants to gain recognition, consolidate his leadership position and the status of his union, as well as protect his friends.
5. The Bull wants money, even if it means taking advantage of his leadership position to demand a big bribe for the strike to go away.
6. The Bull started a process that he did not really know how to end and now needs solutions that help him save face and come across as a winner.

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1. The Offer

Andres discovered that it was much easier to negotiate with The Bull alone than in public, where his role as a union leader required him to act hostile toward representatives from company’s management. In one-on-one settings The Bull turned out to be quite reasonable and open to discussion.

Andres learned that The Bull’s interests were at times different from the union he represented. He wanted to gain government recognition for Collective Action and be recognized as its official leader, which would give him both power and a much better salary than as the leader of a currently marginalized and illegal union. Like any leader, the Bull would want to look after his political supporters and eliminate opponents within his organization. However, the Bull also needed a deal with Concrear that would allow him to look like he won and avoid being blamed personally for any negative outcomes for the workers.

As such, The Bull asks Andres to rehire Francisco, help enroll the entire employee base at the second factory into Collective Action, help Collective Action gain official recognition from the government, recognize The Bull as their leader and agree to a small wage increase at the second factory. In return, The Bull offers to put an end to the strike and to allow the necessary layoffs to compensate for the general economic downturn. The Bull shares that if Andres agrees to this deal he would deflect blame for the layoffs onto the government for its mismanagement of the national economy.

His offer further stipulated that The Bull would have a say in which workers were laid off, so that he could save the jobs of his political supporters such as Francisco, and expel political opponents and potential rivals for the Collective Action leadership position. In return The Bull would ensure that his supporters would perform on the job.

If you were Andres, would you accept this deal?

1. Yes
2. No

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1. The “End”

Andres accepted the deal and The Bull did good on his word. Six years later Collective Action is now a government-sanctioned union, and the new factory has operated successfully without any more major strikes. Concrear and Collective Action continue to work together effectively by the standards of Central American labor-management relations. Andres and The Bull have become personal friends.