
Creating Value Together

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Creating Value Together

The Opportunity

Most of you have come to this conference to find out if it's possible for those of you who maintain and operate gas turbine engines, and those of you who supply the parts and services so they *can* be maintained, can work together in our current environment in ways that are better for both.

Can airline end-users save money? And can parts and overhaul and repair service providers make money? Are there innovative ideas and practices that can make this possible? Or must it continue to be out of each other's hides?

I don't need to remind you that these questions are being raised when many of our heritage airlines must do everything they can to avoid bankruptcy and destruction and to compete with the Low Cost Carriers. And it's not exactly a piece of cake for the Low Cost Carriers, either.

Underlying the idea that brought you here is an invitation to a mind-change.

Most of us in business have long assumed that for one party to save money, the other must lose money – that it's a zero-sum game in which if it's better for me, it has to be worse for you. So we find ourselves locked in an adversarial game based on centuries-old assumptions that only one of us stands a chance to walk away satisfied, and often neither of us will.

Yet somewhere, in many of us, even as we prepare every day to play this hard positional game with our counterparts, there resides this inkling of insight or hope that “there's got to be a better way.”

A Tale of Two Approaches

Two Stories. Let me tell you two stories, and then explore with you why one of them shows us how to remain stuck in our old games, with diminishing returns for everyone, while the other points toward how we both can survive and succeed.

Both were told to me by a key person in engine maintenance for one of our major airlines. This gentleman began by saying that, “As long as people realize that everybody has self-interests that they need to satisfy...that you do and they do, too...and *if you both pay attention to each other's self-interests*, fascinating things can happen.”

“Cost savings,” he said, “can come in all shapes: credit up front for tooling or reduced costs. Either way, it has a positive impact on cash flow. Or the supplier can bring discounts off of parts. In return, we can commit to buy a product category, or a line of parts, or use them exclusively for repair, or not use other providers, and so forth. Opportunities exist to bring benefit to both parties.”

The First Story

“The first story,” he said, “has to do with a large OEM we’ve dealt with for a long time.” He then said, “I don’t need to have been in their meeting to know it happened, what was said, and how they decided to move out. Because we might go into Chapter 11, they decided they needed to take preemptive action to protect their assets in case we did. They came up with a strategy: to link removing one of their liabilities to each thing we discussed.”

He said, “Let’s call the thing we want ‘X’ and let’s call one of the assets ‘Y.’ Instead of being up front with us, much less seeking to find mutual pathways, whether it’s a leased warehouse or a leased engine, whenever we talk with them about something we want or need, they now say, ‘We know you guys want X, but unless you remove Y as a liability, we’re not going to give you X any more.’”

“They’re not framing it as, ‘We’re worried about these assets as liabilities. You’re seeking to lower costs. If we jointly agree to do this, it’s good for both of us...what do you think?’ We could work with that.”

“The way they’re doing it, it feels like having a gun to your head. They’re holding hostage further improvements and things we’ve done together in the past until we get these liabilities covered. They’re all about talking partners when the marriage is in its honeymoon; but, when times are tough, they’re splitting and cutting out on you.”

The Second Story

“On a better side,” he went on to say, “we’re still working to grow our business – for example, through engine in-sourcing. Another company we work with was up front with us: One of their interests is to sell and repair parts. The more volume, the more money. With consistent volume, and a guarantee to flow it exclusively to this provider, they can give us the lowest total price in the market. He said that the supplier’s catalogue price for parts remains the same, but when you talk together, there are all kinds of things they can do on other things that makes this possible.

“If we’re putting together a sales proposal for engine in-sourcing,” he said, “they’ll meet with us - in our offices, offsite, and around the world. They’ll sit on the same side of the table with us and figure out how to reduce our cost to a client or increase our revenue, using their resources. It’s literally amazing. Our customer does well, we get increased revenue, and they can reduce their total price to us in exchange for a longer-term agreement and increased volume and revenue.”

With the former company, he said, “It feels like this is about ‘How can they get the most out of us?’ Proposal after proposal seems one-sided. They say they put the proposal together to meet our interests, but it’s in their interest only. We review it and we think, ‘This deal sucks.’”

“Their agreements also tend to be convoluted; they seek to bundle everything. And they keep moving people laterally; we just get to understand someone, and he’s off to another assignment. Plus, in trying to do a deal with them, you’re going to sign a contract that’s two inches thick. The contract is so convoluted, it’s an extreme effort and waste of time just to know what you’re signing up for.”

“With other organizations,” he said, “it can be a five- or six-page contract for millions of dollars worth of parts or work.”

“With the second company,” he said, “there were savings immediately, the very second we started - and the agreement was clean and not convoluted.”

He summarized by saying, “Times are tough, and we want to do everything possible to save ourselves. But during these tough times, we’re noticing who’s doing what. When we rebound, I won’t forget, and I don’t think our other managers will, either. You identify the kind of people you do want to be aligned with.”

“The strong relationships,” he concluded, “are the long term ones.”

What’s Behind These Different Approaches?

Now, some of you on the supplier side are probably thinking to yourselves, “Hey, my customers do the same thing to me. Don’t be so quick to make them out to be the good guys.” And you’re right. I’ve been told similar stories from the supplier’s point of view. It’s not my intention to ascribe blame or credit to either side.

But I would like to suggest that these stories define two different assessments of our current negotiating environment, and two different ways of dealing with the same environment.

How you identify the environment and how you approach your counterparts based on that identification can frequently – not always, but frequently – affect how they deal with you. One key element of these stories is that the customer ended up working differently with these two suppliers. So *your* behaviors can influence *their* behaviors.

Let’s take it a bit further.

First, whether you have a clear way of identifying it or whether you do this intuitively, and whether you’re in sales, purchasing, or operations, you all make assumptions about the environment you’re operating in and about your own organization’s objectives. You then use your tactical activities to achieve those objectives in that presumed environment.

So I want to show you a way to put a pattern on some key elements of the negotiating environment, and demonstrate to you the assumptions and behaviors that flow out of just that simple decision.

And then I want to take you further into models for negotiation appropriate to the environment you’ve identified, explore whether one model might be better than another, and describe how you and your organization can invite your customers or your suppliers to move together toward that shared model, if you choose to.

Now, a couple of premises:

The First Premise: *The purpose of our behaviors is to achieve our objectives in a particular environment.*

We do things to get what we want and need for ourselves and for the folks we represent - for our constituents.

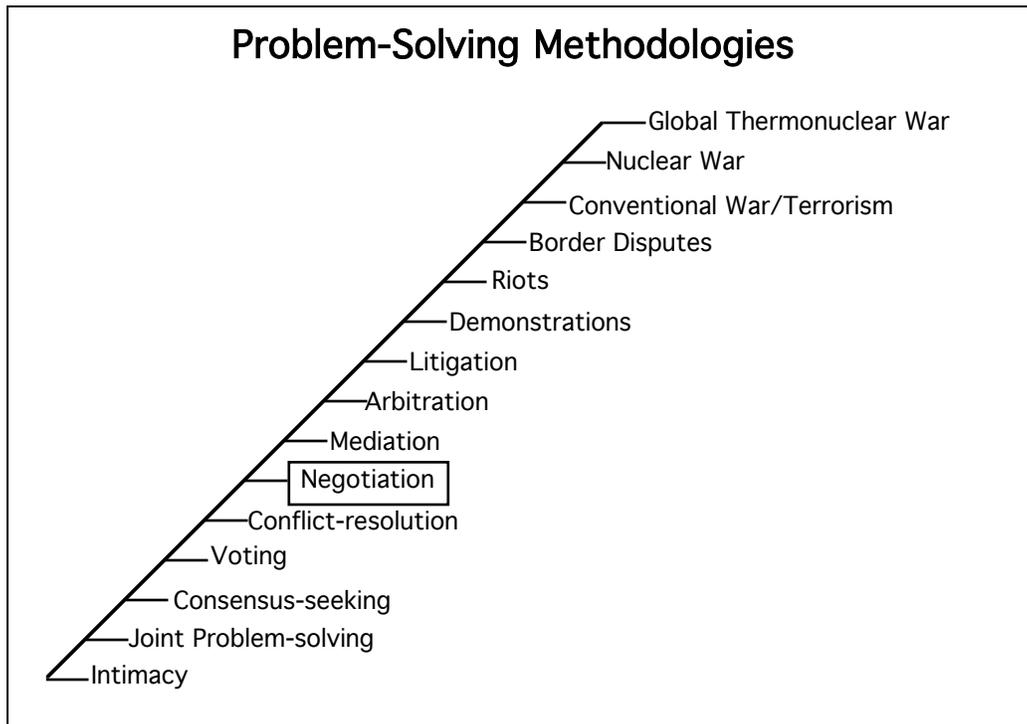
But as a species we get taught much of how to behave and what to do by the communities we find ourselves in. When we go to work in a particular business, the folks who are already there transmit to us the rules of the tribe.

So a lot of what we do in organizations we learned from others, who learned from still others, about how to be effective in an environment that presumably existed when those behaviors were first codified.

But what happens when the environment changes? Are the behaviors still effective? Sometimes the environment changes so much that behaviors that were the very foundation of our success in our prior world are making it difficult to nearly impossible to achieve our objectives in the emerging one.

Let's add the second premise.

The Second Premise: *Negotiation underlies most of the behaviors we use to achieve our objectives.*



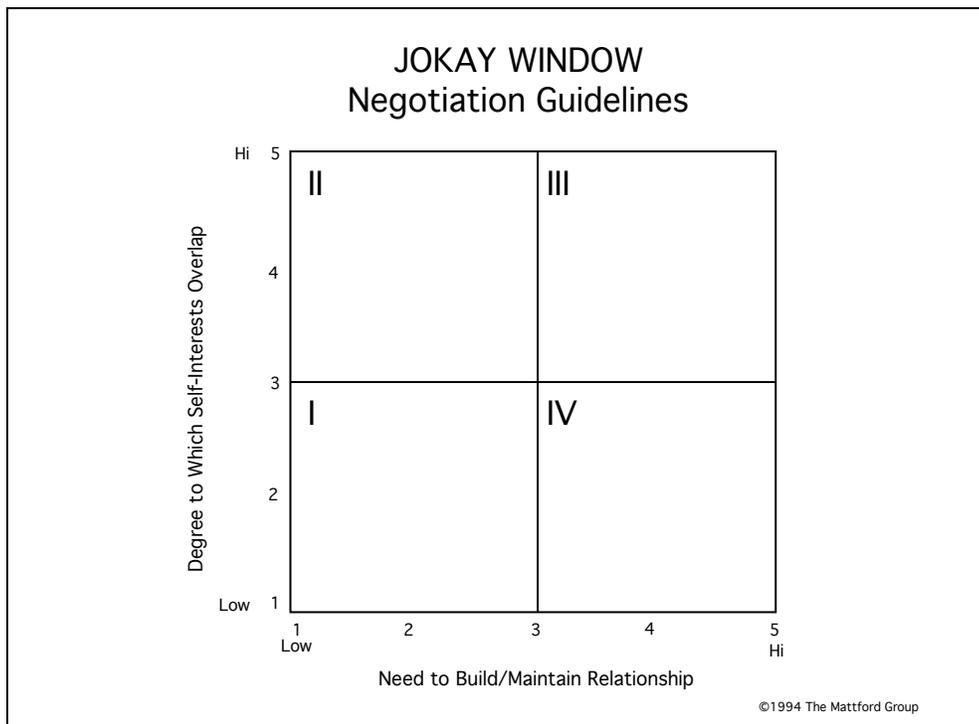
Negotiation is one of a series of problem-solving methodologies that human beings have developed over thousands of years when they didn't know how much their self-interests might overlap, and when they had varying degrees of interest in building and maintaining a long-term relationship with each other.

Negotiation involves those things that we do to solve problems, shape solutions, and reach agreements with others over whom we don't have direct control, in what's called a "mixed-motive environment."

A mixed-motive environment is a situation where some of our interests overlap with those of the other people, and some don't...and may be in direct conflict. So if we're too open too soon, we can do great damage to ourselves and to our organizations. But if we don't find a way to share what actually matters to us and to learn what matters to the other guys, it's almost impossible to craft near-optimal agreements.

Now, if negotiation is problem-solving and decision-making in a mixed-motive environment, how can we usefully assess the environment?

Clearly, a variety of parameters can and sometimes should be used to define and quantify our negotiating environments. The JOKAY Window invites you to always consider two key parameters:



- 1) to what extent might my interests and those of my counterparts overlap in this particular situation? And,
- 2) to what extent do I, and might they, have an interest in building and maintaining a relationship over time?

In every negotiation, there will be some ways in which your self-interests and theirs overlap, or you'd have no reason to negotiate. This could be as simple as you want to buy and they want to sell. This is why the bottom coordinates of the JOKAY Window are 1/1, and not 0/0.

And, in every negotiation, there will always be some ways in which your self-interests and theirs don't overlap, or you won't be negotiating either, you'll be farther down on the Problem Solving Methodologies scale.

Negotiating the Environment

Interests. The JOKAY Window suggests that the more people perceive (that's a key word – perceive) that their interests overlap, the more collaborative their behaviors will tend to be. The less overlap they perceive, the more competitive their behaviors are likely to be. It takes collaborative behaviors to come to mutually beneficial solutions.

Duration. Similarly, if they see no future in the joint relationship, the less inclined they'll be to work for joint and mutual advantage over time. Should they decide that they do need to build and maintain an ongoing relationship with you, unless they're really dumb, their behaviors will tend to shift toward the collaborative.

So in a Quadrant I environment, you've concluded that most of the issues in this particular situation are in conflict, and you don't care about building and maintaining a long-term relationship.

In Quadrant II, though there may be many overlapping interests in this particular situation that can lead to a good solution for you both, neither side sees the need for a continuing relationship.

In Quadrant III, you not only see that there may be a lot of overlapping interests, you also perceive it's to your benefit and theirs to continue in relationship.

And in Quadrant IV, though there may not be many overlapping interests this time, you're aware of the long-term potential.

Let's go back to our two stories. If you were the supplier in the first story, how did you probably define the negotiating environment - in Quadrant I, II, III, or IV?

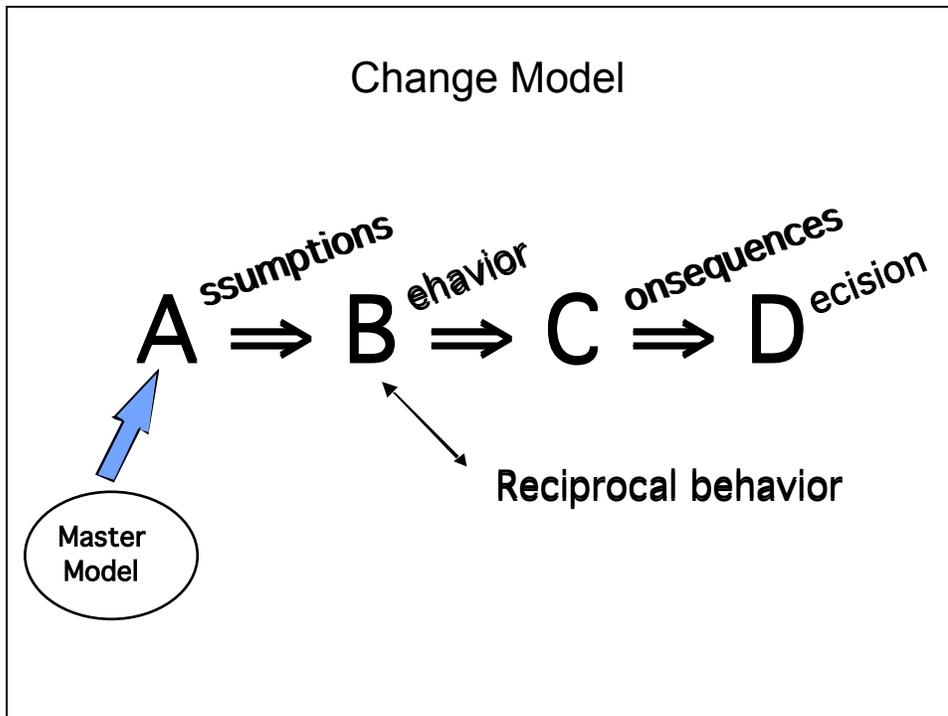
Where do you think the supplier in the second story defined the environment - Quadrant I, II, III, or IV?

The interesting thing was that they were both operating in the *same* environment.

A-B-C-D model for behavior change

Notice in each story that each organization's assumptions drove their people's behaviors. One organization assumed they were in a Quadrant I environment; their behaviors followed from that. The other assumed they were in a Quadrant III environment, and their behaviors followed suit.

Years ago, a colleague introduced me to this model for behavior change.



We start with our master model - our paradigm - for how the world works and how to succeed in it. Our master model drives our *assumptions*, which include our vocabulary and our metaphors - the images we use to define reality. Bill Moyers says that when we get our metaphors right, we tend to do the right things.

Our assumptions drive our behaviors. Our behaviors tend to elicit (not always, but tend to elicit) reciprocal behaviors. And these behaviors have certain consequences.

The model says if we don't like the consequences, if they don't serve us well, we can make a decision to change. Usually, when we decide to change, we try to change our *behaviors*. It doesn't work. We try and we fail.

To change our behaviors, we have to go all the way back and change the master model, which drives different assumptions, results in different behaviors, elicits different reciprocal behaviors, and results in different consequences.

Now, the hopeful part is that when we do change what Willis Harman calls our social paradigm, our "basic ways of perceiving, thinking, valuing, and doing," our assumptions change and our behaviors change, and we can do things with relative ease and simplicity that felt like pulling teeth before.

So what were the negotiating behaviors used by our colleagues who concluded they were operating in a Quadrant I environment?

These behaviors have been around for hundreds, if not thousands, of years. They were used by New England traders when they brought ice to China and returned with tea, and by horse traders in the Old West.

An amazing project was put together in Cambridge, Massachusetts, in the late '70s, under the leadership of Roger Fisher of Harvard. These folks – from Harvard, MIT, Tufts, Simmons, and other universities, set up a massive study to answer some simple questions: "What's the best way for people to deal with their differences? How can you best come to agreement without giving in?" and so forth.

As part of this study, they identified our current model for negotiation. Fisher and his colleagues call it "Positional Negotiation." In one variant of this model – *Hard Positional Negotiation* - the basic premise is that the pie is fixed, negotiation is about claiming value, and my job is to get more than you.

Here are the key elements they identified as to how the game is played:

- Participants are adversaries.
- The goal is winning.
- Demand concessions to continue the relationship.
- Be hard on the people and the problem.
- Distrust others.
- Dig in to our position.
- Make threats.
- Mislead as to our bottom line.
- Demand one-sided gains.
- Search for the single answer - the one we can accept.
- Insist on our position.
- Apply pressure.

Sometimes we're uncomfortable with this hard positional game, or we think the other guy is more powerful, or we want to establish better relationships and think we can do so by being "nice." So some of us play another version of the game. Fisher and friends call it *Soft Positional Negotiation*.

Here are the major behaviors they identified for this version:

- Behave as if we're friends.
- The goal is agreement.

- Make concessions to improve the friendship.
- Be soft on both the people and the problem.
- Trust others, hoping that reciprocity will cause them to be trustworthy.
- Change position easily.
- Make offers.
- Disclose our bottom line.
- Accept one-sided losses.
- Seek the single answer - the one they'll accept.
- Readily yield to pressure.

<h2>Positional Negotiation</h2>	
Hard Positional	Soft Positional
◆ Participants are adversaries.	◆ Participants are friends.
◆ The goal is winning.	◆ The goal is agreement.
◆ Demand concessions to maintain the relationship.	◆ Make concessions to cultivate the relationship.
◆ Be hard on the people & the problem.	◆ Be soft on the people & the problem.
◆ Distrust others.	◆ Trust others.
◆ Dig in to your position.	◆ Change your position easily.
◆ Make threats.	◆ Make offers.
◆ Mislead as to your bottom line.	◆ Disclose your bottom line.
◆ Demand one-sided gains.	◆ Accept one-sided losses.
◆ Search for a single answer - yours.	◆ Search for a single answer - theirs.
◆ Insist on your position.	◆ Insist on agreement.
◆ Apply pressure.	◆ Yield to pressure.

You can see it's the flip side of the same game.

So that's the pattern Fisher and his colleagues identified: *Positional Negotiation*. I take a position more extreme than I'm willing to settle for. You do the same. Then through a series of tactics and ploys, measures and countermeasures, we ratchet in toward the middle, finding out through a variety of means where there seems to be room for movement and what seems to be unyielding. It typically is time consuming. And it frequently worsens the relationship.

We in aviation didn't invent it. But we're very good at it.

The other model

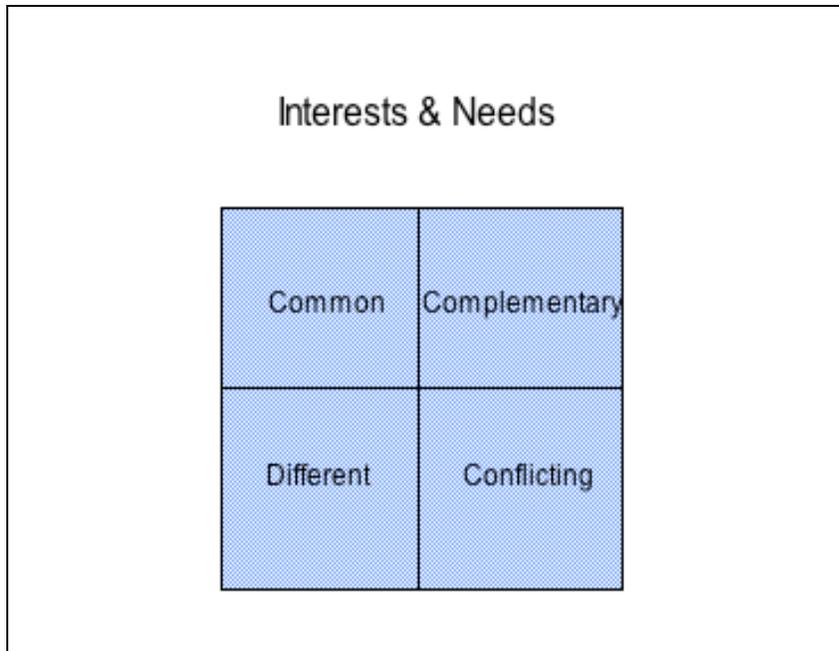
Now, somewhere along the way, someone said, "Wait a minute. If the purpose of our behaviors is to achieve our objectives – and those of our constituents, and the purpose of your behaviors is to do the same, and if there's benefit to me to be in a long-term relationship with you, and there may be benefit to you to be in a long-term relationship with me, what if we spent some time identifying and sharing our objectives?"

What if we identified the people we represent? What if we clarified what they're trying to achieve and to avoid, now and over time? What if I cared to understand who your constituents are and what they're trying to achieve and avoid?

As soon as we can ask these questions, the game changes. We're no longer locked in an adversarial duel. We find ourselves seated on the same side of the table, in a joint search for mutual gain.

Here are some of the things that happen.

Once we identify your constituents and mine, and their actual interests and needs, we discover that negotiation isn't a zero-sum game. There often turn out to be things of great interest to you that have little cost to me, and vice versa.



We realize that some of our interests are held in common (For example, I want to be treated with respect and so do you. We both want to feel we got a good deal.). Some are complementary (I want a product more than I want money, and you want money more than you want the product.). Some are just different (I like vanilla, you like Rocky Road....look, here's Baskin Robbins.). And some may be in conflict.

We find that as we work together to identify the common, complimentary, and just different interests - almost all of which can be satisfied - we can craft solutions better for both. *Here's where we create value together.*

And as we do so, those interests-in-conflict become a smaller part of the whole. Having *created* value together, we are highly motivated to find ways to resolve the remaining issues.

So this realization causes us to start looking for another model for negotiation, which takes us back to the folks at Harvard. Their basic conclusion was that negotiation really isn't about beating the other guy in a zero-sum game.

It's about solving problems and shaping solutions to satisfy your constituents' and counterparts' interests and needs better than any alternative reasonably available to you or them, and doing so in such a way that you both look forward to creating value and

solving problems together again.

They concluded that a good method of negotiation should satisfy three criteria:

- It should produce a wise agreement, if agreement is possible.
- It should be efficient.
- And it should improve or at least not damage the relationship between the parties.

Their researchers laid out the old options against these criteria. Soft positional or hard positional negotiation, which game should you play?

Hard Positional	Soft Positional
◆ Participants are adversaries.	◆ Participants are friends.
◆ The goal is winning.	◆ The goal is agreement.
◆ Demand concessions to maintain the relationship.	◆ Make concessions to cultivate the relationship.
◆ Be hard on the people & the problem.	◆ Be soft on the people & the problem.
◆ Distrust others.	◆ Trust others.
◆ Dig in to your position.	◆ Change your position easily.
◆ Make threats.	◆ Make offers.
◆ Mislead as to your bottom line.	◆ Disclose your bottom line.
◆ Demand one-sided gains.	◆ Accept one-sided losses.
◆ Search for a single answer - yours.	◆ Search for a single answer - theirs.
◆ Insist on your position.	◆ Insist on agreement.
◆ Apply pressure.	◆ Yield to pressure.

Some of you may have seen the movie *War Games*, in which a war simulation computer plays endless sessions of Tic Tac Toe and nuclear war scenarios. Finally it learns: in both cases, the only way to win is not to play.

Which game should you play? Neither, they said. Change the game. Negotiate on the merits. In interest-based negotiation:

- You are neither adversary nor friend; your role is that of problem-solver.
- The goal is neither winning nor agreement for the sake of agreement. The goal is a wise outcome reached efficiently and amicably.
- You neither demand concessions as a condition of relationship, nor do you make them in the hope of making the relationship better. You separate the people issues from the substantive issues and you're hard on the problems, *unconditionally constructive* with the people.
- You neither trust nor distrust. You learn the incredible power of being wholly trustworthy, not necessarily wholly trusting (though sometimes some upfront trust is a good investment).
- You neither dig in to your position nor do you change it easily. You get below positions to the interests that motivate them, since beneath conflicting positions you often find shared or complementary or simply different interests - most if not all of which can be satisfied.

- You don't mislead as to your bottom line, nor do you disclose it. In fact, you don't have a bottom line. You clarify ahead of time what you'll do if you don't come to an agreement, so you won't agree to something that's worse than your other alternatives, nor will you take an unrealistic stance.
- You don't demand one-sided gains or accept one-sided losses as the price for agreement. And you don't search for the single answer, the one they'll accept or you will. Instead, you invent options for mutual gain. And you develop multiple options to choose from, separating inventing from deciding.
- When elements conflict, you neither insist on your position nor cave for the sake of agreement. Instead, you apply objective criteria that both sides agree to.
- You neither yield to pressure nor apply pressure. You reason and you remain open to reason, and you yield to principle, never to pressure.

Interest-based Negotiation

- ◆ Participants are problem solvers.
- ◆ Goal is a wise outcome amicably reached.
- ◆ Separate the people from the problem.
- ◆ Be hard on the problem, unconditionally constructive with the people.
- ◆ Be wholly trustworthy, not wholly trusting.
- ◆ Get below positions to the motivating interests.
- ◆ Avoid having a bottom line.
- ◆ Invent options for mutual gain.
- ◆ Develop multiple options first. Decide later.
- ◆ Insist on objective criteria.
- ◆ Reason and be open to reason.
- ◆ Yield to principle, not to pressure.

Now let's go back to those two stories.

Story One: In the first story, the supplier concluded they were in a Quadrant I environment – few overlapping interests and no concern on their part about the health of the long-term relationship or their customer's survival. They used hard positional negotiating assumptions and behaviors. By doing so, they pulled the customer into defensive positional behaviors. Neither side found the more elegant solutions that were just waiting to be discovered. And they worsened the long-term relationship. By making the customer feel he had a gun to his head, they increased the likelihood he would find ways to get even down the road.

Story Two: In the second story, the supplier concluded they were in a Quadrant III environment. They realized the customer might go into Chapter 11, but they saw beyond that possibility to current and future opportunities. And they used interest-based negotiation – sharing their interests, and being open to understanding those of their

counterparts at the airline, as well as those of the customers they both wanted to gain. By doing so, they built the trust and the relationships that could deal creatively with opportunities, and they increased the chances the customer would avoid Chapter 11. The customer found himself amazed at the options for mutual gain that were uncovered, and looks forward to working with them again.

We can see the differences in the decision each supplier organization made about where they were in the JOKAY Window. And we can see the difference in the behaviors and in the results – immediate as well as long term.

But there's a deeper difference. It's a difference in the invisible mindset - the problem-solving paradigm - that underlay each organization's strategic perspective and tactical activities. It's very simple – but it makes all the difference in the world.

The first organization's mindset is this: *It's us against them; it's me against you.* With employees, suppliers, customers, partners, regulators, between functional silos in the same company, the underlying assumption is that my job is to shift the balance toward me.

Now, when one side plays this game, it's difficult for their counterparts to play a different game, even when they want to. As a result, my focus and your focus tend to narrow down to protecting ourselves and claiming value. We completely miss the opportunities to create value. We typically worsen the relationship and make it harder to find good solutions next time and next time.

The second organization's mindset was this: *We're in this together.* In the long run and the short run, your organization and mine are part of a network. If I'm the supplier, it's to my interest that you as my customer succeed sufficiently. If I'm your customer, and you as a supplier might be part of my future, it is to my interest that you succeed. Not at my expense, but sufficiently.

Once we realize that many of the items that constitute success for you don't come out of my hide – that we truly can make the pie bigger and richer for us both - we tend to be willing to find ways to claim value that you and I will both think are fair. And we look forward to creating value together again.

So how do we get from one mindset to the other, if we want to?

The good news is that making this change is quite do-able.

The bad news is it's not as easy as it sounds. Our behaviors, and the assumptions and paradigms that underlie them, are largely invisible to us.

It seems to take three things to make this change:

- a crisis,
- our personal identification with the crisis, and
- a readily available alternative model that may work better - ideally, a model already pre-tested in our system.

A crisis is a precondition for true behavior change because your worldview has to be shaken enough to open you up to the need for change. Rick Stephens, President of Boeing's Shared Services Group, describes this stage as "creating a burning bridge." John Kotter calls it "creating a sense of urgency." Those of us who lived through the implosion of our industry prior to and post-September 11th, will probably agree there's been no shortage of crises.

The second necessary element - personally connecting with these events - has some built-in difficulties.

Peters and Waterman, in their 1982 book *In Search of Excellence*, introduced me to a concept called *Attribution Theory*. Attribution Theory says that if something positive happens, it's because of what I did. I take credit for it. If something negative happens, it's not me, it's the system or it's the other guy. Most of us heartily agree that our industry and organizations need to change. But almost every one of us, if asked, would tell you that we don't need to change or we already *have*; it's everybody else who's the problem.

Do you see the dilemma? Until we each discover that "Oh, shoot, it's me, too," nothing will change. Once we do discover that it is me, too, change is infinitely possible, especially when we realize what lousy solutions we've been getting compared to what's out there just lying around waiting for us.

And then you need an alternative model that seems to be more able to help solve the problems and realize the opportunities we need to solve now.

And that brings us back to interest-based negotiation.

Interest-based Negotiation

- ◆ Participants are problem solvers.
- ◆ Goal is a wise outcome amicably reached.
- ◆ Separate the people from the problem.
- ◆ Be hard on the problem, unconditionally constructive with the people.
- ◆ Be wholly trustworthy, not wholly trusting.
- ◆ Get below positions to the motivating interests.
- ◆ Avoid having a bottom line.
- ◆ Invent options for mutual gain.
- ◆ Develop multiple options first. Decide later.
- ◆ Insist on objective criteria.
- ◆ Reason and be open to reason.
- ◆ Yield to principle, not to pressure.

Let me give you two examples of what you can do when both of you are open to creating value together and to removing the roadblocks to doing so.

Warranty Administration

One of our clients grew up in warranty administration at a major airline. They realized that many legitimate warranty items were going unclaimed. Across our industry, they estimate that "only 30% of all warranty coverage is redeemed. Some 27% of claims are just never filed; 12% are turned down due to lack of information; and another 12% are handled by unwanted material replacements." ¹

When their own airline showed no interest in putting more resources into pursuing warranty claims, they left and set up their own little business. Everything was real time and internet-based. They had a great service. They would scan all contracts; they would also scan all maintenance work done and monitor work against warranty. For every claim they filed and collected, they split the recovered money with the airline. No upfront charges.

But when they sought to sell their services, managers of warranty administration had no interest in signing on. It didn't matter that the airline could save millions. If these outside guys collected on claims they were responsible for, it might make their own performance look bad, and it might require that they reduce their staffs.

Now, you can either complain about this attitude, or you can take it into account.

This little company learned to propose to potential clients that they only review cold case files - contracts that the airlines' warranty administration people were no longer tracking. Between 1994 and 2003, they redeemed over \$100 million in warranties that would have gone unclaimed.

Perhaps as valuable were the side benefits. Because this company collected real time data on component repair at all the airline's repair stations, and could sort and slice the data in all sorts of combinations, the M&E managers quickly found this data was more immediate and better than their own - it let them identify problem patterns sooner, make wiser inventory stocking decisions, etc. No extra charge.

Moral of the story? When you identify all the constituents and what they're seeking to achieve and to avoid, be aware that some interests and needs are business, and others are personal. Both need to be taken into account. A second moral is that when you operate this way, even more elegant solutions tend to emerge.

PCUs

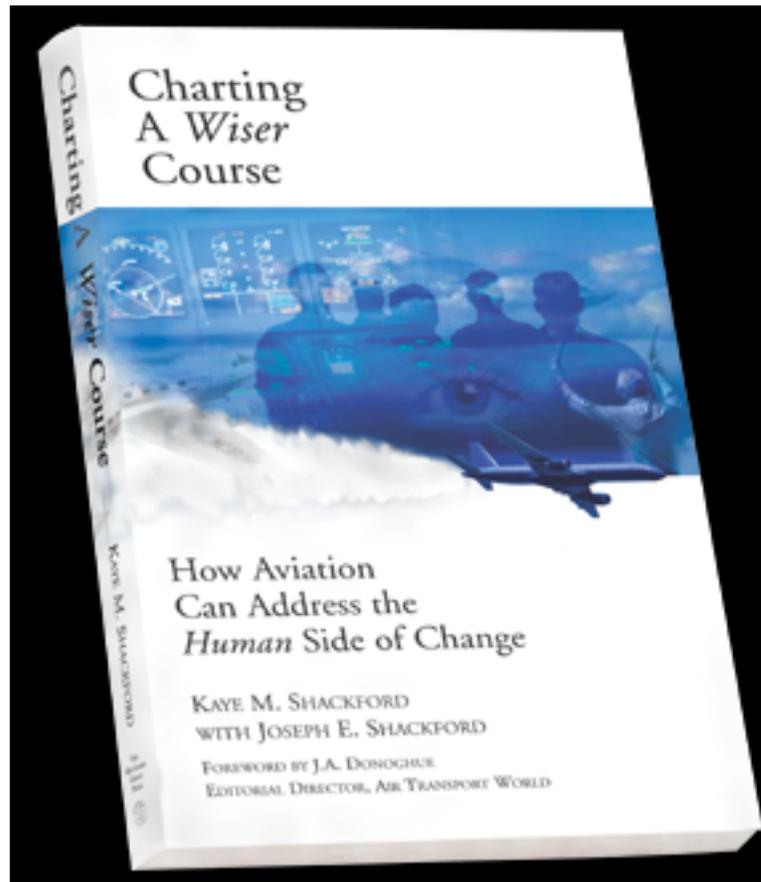
Another example has to do with a company that repairs Passenger Control Units for a large OEM. These are the little jacks on the passenger seat arm that headphones are plugged into. The jacks wear out at the armrest insertion point. After 5000 insertions, they're gone. This little company designed a better, significantly cheaper jack. 25,000 insertions later, it's still working. The OEM is in Japan. The repair company is a supplier to them. If they compete directly with the OEM, they're likely to lose their repair station status. If they sell the patent to the OEM and hope for the best, odds are the OEM will bury it. Here's where an airline was able to help by specifically requesting this unit from the OEM. The final agreement was that the little repair company could upgrade the jacks when they came in for repair. The agreement preserved the relationship between the OEM and the repair company, and the OEM and the airline, and it reduced operating costs to the airline.

Notice that both these opportunities require that people talk together and figure things out together. It has to be legitimate to talk about various constituents and what they're seeking to achieve and to avoid - in this particular situation and over time. The conversations have to take place in an atmosphere of trust. And the benefits can be substantial.

Two Resources

Now, if you want to explore going down this path, we have two resources for you.

First, a book I wrote that came out last December. It deals with what I've been talking about and much more in the context of our industry: how we got into this situation; where we are now; and how we can get out of this mess. It reads like a novel and biography and voyage of discovery – yours as much as mine. One of our early readers, a very experienced marketing manager for P&W, told us, “I want you to know, you wrote my life.” I think I may have written yours, too. You'll probably find you know some of the people quoted in the book; you certainly know their companies.



It will take you toward the mindset I'm proposing. And it will give you many of the concepts, models, and just plain old vocabulary you need to talk with each other about moving toward this idea of creating value together.

Then there's a workshop my company has been running for the aviation industry since 1988. It's called *Negotiating Solutions* – with the emphasis on “solutions.” If the book brings readers to a “readiness to change” point, the workshop brings most participants to the mind shift level so they choose to move toward sitting on the same side of the table looking for mutual gain. Our graduates would dearly love for more people and more organizations to be open to working with them in this way.

We stop running aviation open enrollment sessions of this program the end of 2005 - only four more sessions will be run. If I had my druthers, I'd propose that those of you in supplier organizations and those of you in airlines attend this workshop together. This has been done with some suppliers and some airlines with very fine results for both.

Now, I also invite *you* to do a few things.
 First, conduct a little experiment:

My Organization's Strategic Objectives	
Behaviors	Objectives
◆ Participants are adversaries.	◆ _____
◆ The goal is winning.	◆ _____
◆ Demand concessions to maintain the relationship.	◆ _____
◆ Be hard on the people & the problem.	◆ _____
◆ Distrust others.	◆ _____
◆ Dig in to your position.	◆ _____
◆ Make threats.	◆ _____
◆ Mislead as to your bottom line.	◆ _____
◆ Demand one-sided gains.	◆ _____
◆ Search for a single answer - yours.	◆ _____
◆ Insist on your position.	◆ _____
◆ Apply pressure.	◆ _____

In the first column, you'll see those Hard Positional assumptions and behaviors I reviewed with you earlier. In the second column, list your own organization's strategic objectives. After you've done this, take a hard look at the behaviors and the objectives. Then ask yourself, "Can we achieve our objectives, now and over time, using these behaviors?" If the answer is, "No, we really can't," take the next step.

Use the JOKAY Window to open discussions.

Here are some suggestions:

If you're in Maintenance and Engineering, and you want your suppliers to invent better options with you, or if you're in supplier organizations that would prefer to work with your customer on solutions better for both, make it legitimate to discuss with each other what Quadrant of the JOKAY Window you should be in. Then talk together about how you choose to negotiate with each other. Include managers from the airline's purchasing organization in these discussions, as well as those from M&E and the supplier.

Make it legitimate to talk about what Pareto calls "more elegant solutions." Ask your supplier what they might be able to do that would make things better for you, not worse for them. Make it legitimate for them to suggest to you what you could do for them that would make things better for them without being worse for you.

Set up meetings with key suppliers where, instead of going out for bids, you're asking for ideas, for divergent thinking. Play "what if?" games together. Separate inventing from deciding.

If you're the M&E client, negotiate internally to make sure that your purchasing people are being measured on representing *your* interests and not just their internal measurements. Let it be understood and OK that suppliers can talk with you and not just with purchasing.

If you're in purchasing, clarify with your internal clients that you don't want them to cut you out of the decision process, or just dump a "done deal" on your desk. But also get permission from your own management to work with your customers so you understand what they really need. Get permission to work to measurements more complex and more useful than "5% off your price or you're off our list."

* * * * *

When you think about it, it really is nuts when the measurements on people in Purchasing drive them to work at cross-purposes with their own customers' interests and needs. Or that suppliers - who actually do need customers - are being required to work in ways that make it more difficult for their customers to survive.

Once we see there may indeed be a better way, one that's already pre-tested by people like us in the same environments we're working in, wouldn't it be absurd *not* to check it out?

After thirty-plus years in our industry, I'm convinced that we truly can change the game and get those better results we all need. I invite you to use these ideas to talk with each other about it.

Footnote:

1. *Air Transport World* editorial, "After It Fails." J.A. Donoghue, May 2002, Vol. 39, Number 5, pg. 60.

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