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# HR's Diary

## • Preparation for long term negotiation with the CBA

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Zahid started preparing for the next Long Term Agreement (LTA) with the CBA. As the head of employee relations he would have to lead and conclude the next LTA which was in the offing being a bi-annual affair for this MNC. Having gone through the series of IR events in the last one and a half year, he felt very confident about leading the negotiation on behalf of the management. As this would be the first LTA negotiation for him, he did not want to falter in any way. His KPI had been - 'achieving the settlement within the company plan (both in terms of employee cost increase and time frame) without disrupting the production for even a single day as well as maintaining the congenial IR environment'. The following things came to his mind and prompted him to prepare accordingly.

- **Employee database:** Zahid built up a detailed and updated database of the unionized employees as well as other types of blue collar employment over the last two years (after the last LTA) such as badly, casual, temporary, probationer and apprentice. He also wanted to keep handy other information relating to employee movement like transfer, promotion, officiating or acting along with changes in the job responsibilities of some employees. Although it is a new trend in the HR profession, he computerized the entire database. He spent quite some time in gathering all the information and building his central employee information system so that he could retrieve information in any way he required and meet any query at any stage of the negotiation. In the eighties, the concept of HRIS or PMIS was absolutely new in Bangladesh. Zahid had to literally fight for getting the computerized information system proving the ROI of such investment.

Actually, he did not want to waste time during the negotiation process in collecting the information when faced with a demand from the CBA or challenging the genuineness of a justification posed by the CBA in favor of their demand. He saw in the past the absence of right information how much weakened the management stance while disputing out a demand on the ground of justification. From all the company locations he collected and collated the information and checked for veracity.

- **CTC Calculation:** He wanted to have minute costing of all the elements of salary and benefits of the

employees - that is cost to company (CTC). This included the costing of all guaranteed cash (basic salary and all allowances) paid to the employees on a monthly basis; annual guaranteed cash paid on an annual basis like festival bonus, fixed bonus, LFA etc.; variable cash like incentive bonus, over time, or any other payment depending on some variable factors; provision of terminal payments like provident fund, gratuity etc.; the monetized costs of all other benefits given to the employees like subsidized lunch, insurance premium, health facilities, pick up and drop, loan, company products etc.

He saw his predecessor relying heavily on the accounting department for the information at every stage of negotiation for costing out the demand as well as concession by the management. This dependency not only delayed the process but also risked leakage of information while working out various options as per the negotiation strategy as there were some leaders in the accounting department who were always looking for such information. He wanted to eliminate this dependency totally and have his own computerized database of each and every item as above. He also built up the database with historical facts and figures (over last few years) to have trend analysis to present to the management or CBA as and when would be required. Along with the database he also developed some macros with different formula for instant calculations of various options at different stages of negotiation.



- **Compensation Survey:** Another step for the preparation was carrying out a detailed compensation survey among other organizations both MNC and locals with whom the CBA had the tendency to compare. Besides, it was also necessary to have a meaningful knowledge on what others were doing and the trend in the employment market. This was a very important step for working out the budget for the upcoming LTA settlement. Zahid felt the importance of knowing the trend of percentage increase over last LTA negotiations in those comparator companies. He also wanted to have the knowledge on the new challenges that these companies faced in the negotiation process and how they overcame the challenges.

As there were no professional third parties available in the country at that period, Zahid had to carry out the survey by himself. By this time he had developed a wonderful network among other HR/Personnel Heads of the comparator companies. His working relationship helped him in getting not only the figures but also the facts beneath the figures which were equally significant for working out the negotiating strategy.

Having done the survey he arranged the array of information into various tables and charts. He kept those handy for making presentation to the management to defend his logic in favor of whatever concessions he thought needed to be given to the demands of the CBA towards reaching the settlement.

He was not satisfied with only the compensation survey carried out with the comparators; he went beyond to understand the prevailing cost of the living situation. He carried out a survey on secondary data published by Bureau of Statistics, Employers' Association, Dhaka Chamber of Commerce and Industries on Consumers Price Index (CPI) and general inflation on food, housing and clothing items throughout the country. He also carried out a basket survey by visiting the kitchen market.

- **Internal survey:** He went around all the branches and locations of the company personally to understand the existent pulse. He sat with the management team of those branches and locations and exchanged views. He sat with the HR team also to gather their understanding of the prevailing situation. Informal discourse with the union representatives of those branches and locations also gave him some indications on the basis of their forthcoming charter of demands.

He collected the facts and figures from the company archives with regard to the demands and settlements of the last five settlements. He studied those with great interest as those laid the basis for forming the baseline for the forthcoming negotiation.

- **Budgeting:** Having gathered all the above, he concentrated on preparing the budget for the forthcoming LTA. He was fully prepared to present his recommendations to the management committee comprised of MD and the department heads. As this was his first LTA he knew he would be faced with a volley of questions and his preparedness would be tested. He remembers now how tough the going had been in putting all the facts and figures to the management committee, defending his recommendations and taking all the questions. Thanks to his long drawn preparation, he could present convincingly and came out having gained the acceptance by the management committee of his proposed percentage increase as regards the employee costs with three lines of strategy - like to get, intend to get and must get (LIM).



- **Negotiating Team Formation:** The LTA team was formed naturally with the HR heads of all the branches with him as the team leader. There were also co-opted members from the production and other departments - on as and when need basis. Different roles were allocated to the team members for the negotiation process. Interestingly enough, he also carried out a refresher's course on negotiating tactics taking an external resource.

A number of mock rehearsals were carried out as to who would do what being faced with the instigation by the union leaders, rhetoric with the fiery words from the hostile union leaders, and how to control the flow and temperament at different stages, etc.

- **Negotiating Tactics:** Negotiating tactics were drawn through a workshop with the concerned HR people in respect of the following 'what if' sensitivities:

- What would be the response of the management of the locations at the outbreak of workers' indiscipline for creating pressure on the management?

- What would be response to the go-slow or other mild agitation at the factories?

- What would be the response to hooting at the management staff by the workers at the production floor?

- What would be the response to the sit-in strike if undertaken by the workers at the factory gates?

- How to communicate through informal channel to influence the workers in favor of management decision?

- How to institute the informal parleys with the opinion builders by the front-line managers when the situation demanded such?

- How to collect the information during the progress of LTA negotiation as to the perception of the general workers?

A detailed check list was worked out on the above with 'who would do what under what situation' and populated by him to the management as a confidential document on need to know basis.

- Network Establishing: He along with the LTA team members visited all the law enforcing agencies to establish necessary rapport. They were briefed on the forthcoming LTA negotiation and sought their help should any untoward incidents arise. He also visited the labor directorate to enlist the support of the conciliators and other officials of the directorate in time of need.

Having done all the above Zahid felt that he was now fully equipped to face the LTA negotiation. At the beginning he thought he would be exasperated with the long list of preparation, but as days went by he realized that all these preparations gave him as well as to the management committee the confidence that the LTA negotiation would be conducted professionally.

That was the first time Zahid conducted LTA negotiations and there were many after that. After all these years he feels that there is no shortcut but to conduct the negotiation with a professional approach having taken full preparation at all the corners. A skillful LTA negotiation is dependent on the right kind of preparation and if conducted professionally thereafter would definitely bring the following results:

- a. Employee cost within the company overhead cost plan for the next couple of years.
- b. Employee productivity at all levels.
- c. Congenial Industrial Relation situation to bring forth many management steps for increasing efficiency.
- d. Establishing employee discipline eliminating the irritants of work atmosphere.
- e. Uninterrupted production and services by the employees.
- f. No strike or go-slow or any other industrial actions by union at least up to the next couple of years (until the next LTA).

*(This is sequence 15: to be continued. Soliciting feedback at [shibly@proedge-asso.com](mailto:shibly@proedge-asso.com))*

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