

# Pacific oil company failed negotiation

[Business](#), [Company](#)



Richard Paguirigan National University/Law 402 Professor Hamlin January 22, 2012 1. Identify the strengths and weaknesses of Fontaine's and Gaudin's negotiating strategy in their deliberations with Reliant Chemical Company.

Fontaine and Gaudin started off with a competitive strategy, wherein the outcome of the negotiation was more important than the relationship. This is evidenced by the fact that the market for VCM would be oversupplied in a few years due to the building of new chemical plants and a drop in demand.

Pacific only needed to secure an extension from Reliant to enable them to maintain operations for just a while longer or until they could come up with a new business strategy for the future. There is nothing to suggest that Pacific had any incentive to maintain a relationship with Reliant after that time.

Although Pacific was considering becoming a producer of PVC products in order to minimize its dependence on external sales, no firm decision had yet been made so Pacific's possible survival was still up in the air.

Fontaine and Gaudin were aware that they had less than a three year window in which to extend the contract. They also knew that Reliant was probably aware that the market was going soft. Although Fontaine and Gaudin began their efforts with a sense of urgency to extend the contract with Reliant, they came into negotiation not having really developed their strategy and how they would attack it. They were unprepared for the issues that Reliant brought up and were essentially on the defensive throughout.

The sense of urgency that exhibited coming into the negotiations was undermined by their failure to set time limits or deadlines. They were fair game for " entrapment" by the Reliant since they really had no information

about Reliant's situation and therefore could not counter or reverse the attack. Although Competitive Strategy was the intent, poor planning and unanticipated problems along the way caused their strategy to get flipped around and they succumbed to utilizing an Accommodating strategy (lose to win) in the end.

Strengths: " The accommodating strategy may be used to encourage a more interdependent relationship, to increase support and assistance from the other, or even cool off hostile feelings if there is tension in the relationship. If the relationship is ongoing, then it may be particularly appropriate to " back down" now, to keep communication lines open and not pressure the opponent to give in on something that they do not want to discuss (Lewicki 18)".

Weaknesses: In most cases, this is a short-term strategy used with the expectation that accommodation now will create an opportunity to achieve outcome goals in the future.

This strategy should only be used when the outcome is not very important or if the primary objective is to improve the relationship. Unfortunately, for Pacific the outcome was important though the relationship wasn't. 2. Identify the strengths and weaknesses of Hauptman's and Zinnser's negotiating strategy. Hauptman and Zinnser utilized Competitive Strategy (win to lose). Unlike Pacific, Reliant had done its research and was fully aware of Pacific's situation and the market dynamics going on at the time and, presumably well into the future.

They had a plan, developed a strategy and used it to their advantage. Essentially, Reliant had been given no incentive by Pacific to extend the

contract. They had done their research, and armed with the knowledge gleaned and now aware as to the reasons why Pacific was so eager to extend the contract, they took the opportunity to gain the upper hand. Since Pacific never imposed any deadlines, they stalled for as long as they could all the while arguing for, and getting a number of concessions along the way.

They were never on the defensive at any time since Pacific had nothing on them. They were in a favorable position to “entrap” Pacific, causing them to change strategies which resulted in failed negotiations. Strengths: The Competitive strategy is effective in getting the other party to give in, and thus to satisfy the competitor’s needs now. Weaknesses: The outcome of the negotiation is more important than the relationship. It strains and endangers the relationships between the parties. 3. What action should Fontaine take at the end of the case?

Fontaine needs to reverse the damage done. Perhaps a collaborative strategy is in order. If Fontaine can convince Reliant that they will get into the PVC business after all and possibly become a PVC products manufacturer, hence a competitive threat, maybe Reliant will then get off their high horse and agree to cooperate for the mutual benefit of everyone. Pacific will need to make some concessions. Price, exclusive contracts or even a non-compete agreement may convince Reliant it would not be worth it to retaliate against Pacific.