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**University Examinations 2016/2017**

SECOND YEAR FIRST SEMESTER EXAMINATION FOR THE DEGREE OF MASTER IN BUSINESS ADMINISTRATION

**BFA 5239: NEGOTIATION SKILL**

**DATE: DECEMBER 2016 TIME: 3HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***three*** *questions*

**QUESTION ONE (30 MARKS)**

RJR Nabisco was having a bad year with its stock performance. The CEO of the company, Ross Johnson thought that this was an opportune time to attempt a leveraged buyout to increase the shareholder’s value of the stock. He, and his management group, entered into negotiations with the board of directors’ special committee that had been assigned with the particular task of finding ways to maximize the shareholder value

Since he was CEO of Nabisco, Johnson was confident, that because of his close ties to the company his buy out attempt would be the proverbial ‘no-brainer’. He out stepped his confidence and found the banana peel instead. His overconfidence led him to fall into the trap of making assumptions and jumping to an erroneous conclusion.

His first mental lapse was to assume that his company connections would automatically give him the go-ahead’ to make the buy-out happen. He made the second mistake of assuming that his investment bankers would simply have to put the financing in place, and that the RJR board of directors would also give him the power to manage the buyout. So, together with his main financial partner, Shearson Lehman Hutton he offered an initial buyout price of $75.00 U.S/share

The initial offering meant that his management team would only have to put up $20 million dollars or 8.5% of the total offer. If the board acceded to this offer then Johnson’s management team would receive 18% of the company’s total equity. Johnson was also insisting that the 18% would be divided equally amongst the 15,000 personnel who were employed for RJR Nabisco. However, he neglected to mention that in reality, only six names actually appeared as the real beneficiaries of the transaction – a real but unintentional’Oops!’

1. Identify and discuss the type and style of the negotiation in this case (10 marks)
2. Is the negotiation strategy used in this case effective? If so or not, justify your answer

(10 marks)

1. Discuss the type of business negotiation tactics used in this case (10 marks)

**QUESTION TWO (10 MARKS)**

1. Discuss all the possible outcomes of a negotiation? (4 marks)
2. When do you raise important issues during a negotiation? (4 marks)
3. How do you make concessions during a negotiation? (2 marks)
4. What do you do when you are in a negotiation and the other party will not give anything away? (2 marks)

**QUESTION THREE (10 MARKS)**

1. Discuss the impact of cultural negotiations in business management (5 marks)
2. Elucidate and discuss briefly the main factors in negotiation (5 marks)

**QUESTION FOUR (10 MARKS)**

Negotiations are a means of how to solve conflicts and differences through direct communication. Discuss using local examples (10 marks)

**QUESTION FIVE (10 MARKS)**

Show the major advantages of using negotiation in business management. Support your argument (10 marks)