

Air France-KLM: Uniting or Dividing?

A qualitative case study on the negotiation strategies within the Air France-KLM group due to the systemic event COVID-19

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Abstract

The airline industry distinguishes itself from other industries regarding globalization and the many alliances that take place within this industry. The fact that alliance partners are interdependent of each other, makes alliances vulnerable to conflicts and thereby increases the probability of alliance instability. Although the Air France-KLM group is officially a merger, the two parties are largely interdependent of each other, as Air France and KLM are not totally merged to one business and still largely operate as independent businesses. The Air France-KLM group, with the characteristics of a strategic alliance, is therefore vulnerable to conflicts. The COVID-19 pandemic possibly led to conflicts within the group, and thereby to group instability.

This case of the Air France-KLM group, with the characteristics of a strategic alliance, suffering from the COVID-19 pandemic that possibly led to group instability is an interesting research unit, as only few research focused on external events – like COVID-19 – that could lead to alliance instability. More specifically, the underlying factors that create alliance instability have not been fully considered by previous research on the influence of external events on alliance instability. One factor that has been neglected as a potential underlying factor, is the negotiation strategy regarding resolving conflicts between the alliance partners. In order to gain insight into the relation between external systemic events and negotiation strategies, the following research question answered: *Which negotiation strategies are used within the Air France-KLM group because of the COVID-19 pandemic?* Answering this research question is also societal relevant, as the partners of the Air France-KLM group should be aware of their negotiation strategies and its consequences for resolving conflicts and thereby the group stability.

A qualitative content analysis of 56 news articles is conducted on the negotiation strategies within the Air France-KLM group from September 2018 till May 2021. It seems from the results that the parties before the systemic event COVID-19 continuously reacted to each other's contending strategy actions by means of their own contending approach. During the systemic event COVID-19 both parties still primarily have a contending approach, however they do not react to the contending actions of each other, whereby the process escalation stopped.

Keywords: alliances, COVID-19, Air France-KLM group, negotiation strategy, conflicts

Preface

During my Bachelor in Business Administration at Radboud University, my passion for Business Administration in general has grown and I discovered my interest in a specific subject: alliances. In order to deepen my knowledge on this subject, I took courses of two Business Administration master specializations this academic year, namely International Business and Strategic Management. I am grateful that I got the opportunity to write both theses about alliances, each with its own angle of perspective. In case you are also interested in my Strategic Management thesis: '*Education Based Alliances of the Big Five Tech: no or go? A qualitative research on the effect of potential alliances between the Big Five Tech companies and Dutch higher education institutions on the moral legitimacy of the Big Five Tech companies*', you can send me an email: k.welbers@student.ru.nl. I hope to broaden my knowledge on alliances in the upcoming academic year, during my master's in Economics and Politics.

Besides the enlargement of my knowledge on Business Administration this academic year, I also improved my research skills. For this, I want to thank my thesis supervisor H.L. van Kranenburg for his guidance and feedback, and my second examiner G.W. Ziggers for assessing my thesis. Furthermore, I want to show my gratitude to my boyfriend, family and friends who supported me not just during my master thesis project, but also during my whole study process at Radboud University.

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1. Introduction

The airline industry distinguishes itself from other industries regarding globalization and the many alliances that take place within this industry (Casanueva, Gallego, & Sancho, 2013). Strategic alliances can be defined as ‘‘partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial’’ (Elmuti & Kathawala, 2001, p. 205). Because of the difficulty of creating a global network by a single airline due to regulations and restrictions within the globalizing airline industry, global alliances are necessary (Goel, 2003). Although the Air France-KLM group is officially called a merger, Air France and KLM are still largely independent businesses (Noorderhaven, Kroon & Timmers, 2010), which is in that sense more in line with a strategic alliance than with a merger (*see paragraph 2.1.*). The fact that Air France and KLM are not totally merged to one airline makes them interdependent of each other, and thereby vulnerable to conflicts (Das & Kumar, 2011). According to Charpentreau (2020), the COVID-19 pandemic reignited the tensions between the two parties, which could possibly lead to a higher probability of group instability (Bruyaka, Philippe & Castañer, 2018). As stated by the Air France-KLM group’s CEO Benjamin Smith: ‘‘2020 tested the Air France-KLM group with the most severe crisis ever experienced by the air transport industry’’ (Euronews, 2021); the COVID-19 pandemic.

This case of the Air France-KLM group, with the characteristics of a strategic alliance, in which conflicts due to the COVID-19 pandemic possibly increase the probability of group instability is perfectly suitable for contributing to a particular research gap. The COVID-19 pandemic is a systemic external event, which can be defined as ‘‘environmental changes that affect all parties simultaneously and indiscriminately’’ (Ariño, de la Torre & Ring, 2001, p. 121). While internal factors – continuously building up tensions between partners – are broadly investigated (Das & Teng, 2000; Parkhe, 1993), external disruptive events are overlooked as factors influencing alliance stability (Bruyaka, Philippe & Castaner, 2018). Only few research focused on external events that could lead to alliance instability (Bruyaka, Philippe & Castañer, 2018). This makes the Air France-KLM group with the characteristics of a strategic alliance, suffering from the COVID-19 pandemic, an interesting research unit.

More specifically, the underlying factors that create alliance instability have not been fully considered by previous research on the influence of external events on alliance instability (Bruyaka, Philippe & Castaner, 2018). One factor that has been neglected as a potential underlying factor, is the negotiation strategy regarding resolving conflicts between the alliance

partners. Whether conflicts leading to alliance instability between alliance partners can be resolved, greatly depends on the negotiation strategy of the alliance partners (Das & Kumar, 2011). In order for the negotiation strategy to be seen as an underlying factor of the relation between external events and alliance instability, insight has to be gained on the relation between external events and negotiation strategies. Therefore, this research answers the following research question: *Which negotiation strategies are used within the Air France-KLM group because of the COVID-19 pandemic?* In order to answer the research question, a qualitative content analysis of 56 news articles is conducted on the negotiation strategies within the Air France-KLM group from September 2018 till May 2021. By comparing the general conflicts and the way these conflicts are resolved within the Air France-KLM group before and during the systemic event COVID-19, the negotiation strategy types before and during the systemic event can be compared. Hereby, possible changes in the negotiation strategies due to the systemic event COVID-19 are detected.

Besides the theoretical relevance of this research, this research is also societal relevant as the partners of the Air France-KLM group should be aware of their negotiation strategies and its consequences for resolving conflicts and thereby the stability of the group. The termination of the group would mean big Dutch state losses, as the Dutch state possesses a large amount of shares of the Air France-KLM group (Air France-KLM group, n.d.). Furthermore, the termination of the group would make both airlines worse off (NLtimes, 2021), indicating that it could have fatal consequences for KLM. The major KLM airline is the second-largest private employer within the Netherlands, providing jobs for more than 36.600 people (European Commission, 2020). The collapse of KLM would mean huge amounts of unemployed people at once, with a major impact on the economy. Besides, the Dutch economy would suffer even more as KLM connects the Netherlands to a great extend with the rest of the world (European Commission, 2020).

The qualitative content analysis method aligns with the evolutionary perspective on strategy this research is based on, as the evolutionary perspective on strategy allows for variation in the possible strategies of organizations (Barnett & Burgelman, 1996, p. 6). The concepts used for the qualitative content analysis stem from the theory on negotiation strategies, outlined in the second chapter. The third chapter elaborates on the research method. The fourth chapter outlines the results of the qualitative content analysis, followed by the theoretical reflection. Based on the results, an answer to the research question is formulated in the conclusion. The last chapter includes a reflection on the research process, recommendations for future research, and policy and managerial implications.

2. Theoretical framework

This chapter consist out of four paragraphs. The first paragraph outlines the characteristics of the Air France-KLM group and the reasoning why the Air France-KLM group is an interesting case for this research. The second paragraph touches upon the existing knowledge on external events, with the focus on their impact on alliances. The third paragraph is devoted to diverse literature on negotiation strategies. The fourth paragraph makes the link between the theory and the research case.

2.1. The Air France-KLM group

Air France and KLM announced in September 2003 that they were going to merge, for which they got approval from the European Commission in April 2004 (Romano, 2012). However, the so called merger between Air France and KLM seems to have a lot of characteristics that are in line with a strategic alliance instead of a merger if one compares the concept definitions. Strategic alliances can be defined as “partnerships of two or more corporations or business units that work together to achieve strategically significant objectives that are mutually beneficial” (Elmuti & Kathawala, 2001, p. 205). Mergers on the other hand, could be defined as “a combination of two or more businesses in which only one of the corporations survives” (Hampton, 1989, p. 394). Another interpretation of a merger is that at least two firms are combined with each other to form a new legal entity (Singh, 1971), instead of the preexistence of one of the two corporations (Hampton, 1989). However, both meanings of a merger have in common that a merger decreases the number of businesses, while a strategic alliance is a partnership whereby the involved businesses continue to exist.

The Air France-KLM merger is more in line with the definition of a strategic alliance than with the definition of a merger for several reasons. First of all, with the establishment of the Air France-KLM group, the two airlines continued to operate independently to a great extent. Hereby, the two brands – Air France and KLM – could be retained (Noorderhaven, Kroon & Timmers, 2010), aligning with the goal of the Air France-KLM group to preserve the two strong national brands (Allal-Chérif, 2019). The fact that the two national brands continued to operate independently to a great extent is in line with the definition of a strategic alliance instead of a merger, as no decrease in businesses took place.

Second of all, the Air France-KLM group that got created as a new holding, got described in the Framework Agreement. It is remarkable that the Framework Agreement explicitly states for a couple of times that fairness is the guiding principle of the Air France-

KLM merger, referring to equal employee career prospects and the development of both airports and networks. The fairness principle also becomes clear with the establishment of a Strategic Management Committee, consisting out of an equal amount of representatives from Air France and KLM, including the CEO's of both airlines (Noorderhaven, Kroon & Timmers, 2010). This fairness principle is more in line with the interpretation of Singh (1971) of a merger than with the interpretation of Hampton (1989), as only one of the two airlines would survive according to the definition of Hampton (1989). However, as Air France and KLM also keep on existing as two independent firms, there is no decrease of businesses, and the Air France-KLM group still seems more like a strategic alliance in that sense. According to Noorderhaven, Kroon and Timmers (2010), these aspects create the character of a partnership between equal parties instead of a merger.

Third of all, even the merging parties circumvented to use the word 'merger'. The parties often spoke of a combination instead of a merger, with the focus on coordination instead of integration (Noorderhaven, Kroon & Timmers, 2010). Coordination implies the continued existence of the two largely independent airlines, as coordination would not be necessary if the two parties would merge to one party. The CEO of KLM at the time, Leo van Wijk, spoke of an innovative partnership with Air France instead of a merger (Romano, 2012, p. 37). According to the definition of Elmuti and Kathawala (2001), a strategic alliance is a partnership. So, even the communication of the two parties is more in line with a strategic alliance than with a merger.

As the so called merger did not merge Air France and KLM to one business and the parties are still largely independent businesses, the Air France-KLM group has the characteristics of a strategic alliance. According to Das and Kumar (2011) alliances are vulnerable to conflicts as the parties are independent of each other. This is also the case with the Air France-KLM group, as they are not totally merged to one business; they are interdependent with fairness as the guiding principle. Therefore, the parties have to solve conflicts that arise within the group, whereby they will both make use of negotiation strategies. Furthermore, as both parties are airlines, they are affected in the same way by the systemic event COVID-19. The fact that the parties within the Air France-KLM group have to solve conflicts by means of negotiation strategies and are both similarly affected by the systemic event COVID-19, makes the Air France-KLM group a suitable research case.

2.2. External events

The literature on the causes of tensions between alliance partners makes a clear distinction between internal- and external factors. According to the internal tensions perspective, internal frictions are the disruptive forces that lead to tensions between alliance partners. Most of the internal events are routine and take place within the alliance context, leading to internal tensions. These internal tensions shift the balance of cohesive and disruptive forces, potentially leading to alliance termination (Bruyaka, Philippe & Castañer, 2018). While internal factors, continuously building up tensions between the partners, are largely investigated (Das & Teng, 2000; Parkhe, 1993), the external disruptive forces are overlooked as factors influencing the balance. There is ‘‘a disproportionate focus on continuous and internal sources of instability and thereby failing to adequately consider factors external to the alliance scope’’ (Bruyaka, Philippe & Castañer, X., 2018, p. 8).

Only few research has drawn attention to external non-routine events outside the alliance context, potentially leading to alliance instability. While external non-routine events take place outside of the alliance scope, they could nevertheless establish internal tensions between alliance partners, thereby increasing the chance of alliance instability (Bruyaka, Philippe & Castañer, 2018). Recent research even showed that alliance termination could occur because of external events independently from internal tensions (e.g. Greve, Mitsuhashi & Baum, 2013; Madhok, Keyhani & Bossink, 2015).

Ariño, de la Torre and Ring (2001) made a distinction between three types of external events: individual-, corporate-, and systemic external events. Whereas individual external events concern the actions of one or more persons involved in the partnership influencing the alliance, corporate external events affect one of the partner organizations. Corporate external events, thus organization-specific events are harmful to the specific organization experiencing it (De Carolis, Yang, Deeds & Nelling, 2009). The adversity of the event defines the chance of survival for the stricken organization. However, the negative implications of the corporate external event may spill over to the alliance partners who were originally not influenced by the adverse external event. Hereby, organization-specific events could establish concerns among the alliance partners (Bruyaka, Philippe & Castañer, 2018), and destabilize the alliance.

Ariño, de la Torre and Ring (2001) also defined systemic external events as one of the three types of external events. Systemic external events can be defined as ‘‘environmental changes that affect all parties simultaneously and indiscriminately’’ (Ariño, de la Torre & Ring, 2001, p. 121). According to Ariño, de la Torre and Ring (2005), systemic external events could influence the alliance by means of the way the alliance partners react to the event, for example

when a partner takes advantage of a recession and thereby damages the situation of its partner. Yan (1998) suggested that unexpected contingencies like changes in government regulations that make organizations change its internal configurations in order to align with the changing environment, will increase the probability of alliance termination. Nevertheless, almost no research is done on the influence of systemic external events on alliance instability. *Paragraph 2.4.* elaborates on the application of this information in this research.

2.3. Negotiation strategies

According to Das and Kumar (2011), the way alliance partners manage the interdependence is a critical issue and necessitates negotiation. Negotiation refers to “the deliberate interaction of two or more complex social units which are attempting to define or redefine the terms of their interdependence” (Walton and McKersie, 1965, p. 3). Interpartner negotiations are of great importance for successful cooperation between the alliance partners. These negotiations are complex, as alliances consist of potential competitors. Alliance partners have to find the right balance between cooperation and competition, which is reflected in the type of negotiation strategy the partners have (Das & Kumar, 2011). Through time, various literature on how to manage conflicts have appeared, for which several terms are used by different authors. This research is based on ‘negotiation strategies’. In practice it could be the case that managers choose various strategies simultaneously (Euwema, Vliert & Bakker, 2003).

Follett (1941) distinguished three types of conflict management: domination, compromising and integration. The domination strategy implies that the interests of one party are taken into account over the interests of the other party. The compromising strategy implies that both parties give up some of their own interests. The integration strategy implies the construction of an alternative new way of operating that fulfills the interests of both parties. According to Follett (1941), resolving conflicts by means of an inventive integration process will establish the most lasting and superior solution compared with the domination and compromising strategy. With the domination strategy the conflict solution may be temporary and unstable, as the neglected party will react in a spiteful manner. Also the compromising strategy will establish a temporary solution with which the parties are only partially satisfied. Because of the temporal solutions created by the domination and compromising strategy, these strategies will not be able to produce significant innovations that establish sustainable competitive advantages (Gehani & Gehani, 2007).

Thomas (1976) defined the dimension of cooperativeness and assertiveness. As cooperativeness is based on the concerns of the other party and assertiveness is based on the concerns of the parties own outcomes, these dimensions are in line with the dimensions outlined by Follett (1941). Based on these dimensions, Thomas (1976) distinguished five modes of conflict: competition, accommodation, sharing, collaboration and avoidance (*figure 1*). The competition strategy implies the focus on the

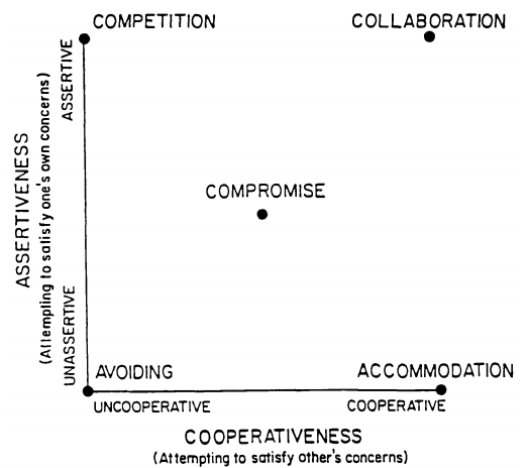


Figure 1: Two-dimensional taxonomy of conflict handling modes (Thomas, 1992, p. 266).

party's own concerns while ignoring the concerns of the other party. The opposite of this strategy is the accommodation strategy, as this strategy is based on the satisfaction of the concerns of the other party without taking into account their own interests. The competition and accommodation strategy can be seen as components of the domination strategy outlined by Follett (1941) as both strategies imply a focus on the outcomes of one of the parties, while neglecting the outcomes for the other party. The collaboration strategy is in line with the integration strategy of Follett (1941) as it is aimed at fulfilling the concerns for both parties. Thomas (1976) emphasizes the long-term benefits and desirability of the collaboration strategy, just like the integration strategy of Follett (1941). The sharing strategy is in line with the compromising strategy as it involves moderate satisfaction of both party's outcomes. A strategy that has no resemblance with the strategies of Follett (1941) is avoidance, implying that none of the outcomes are taken into account.

Putnam and Wilson (1982) distinguished between three types to manage conflicts: non-confrontation, solution-orientation and control. The solution-orientation is in line with the integration strategy of Follett (1941) and the collaboration strategy of Thomas (1976), as the aim of this strategy is to integrate the interests of the parties. This involves an open and direct manner of communication regarding the conflict. The control strategy is in line with the domination strategy of Follett (1941), but more specifically with the competition strategy of Thomas (1976), as it is based on the defense of own interests. This style involves direct confrontation about the conflict while taking control of the interaction. The non-confrontation

strategy implies dealing with conflict by means of avoiding or withdrawal from disagreements, which are indirect strategies to handle conflicts.

Pruitt (1983) established a dual concern model based on the own outcomes of the negotiation and the outcomes of the other party (figure 2), including the following strategies: problem solving, contending, yielding and inaction. The problem solving strategy is in line with the integration strategy of Follett (1941), the collaboration strategy of Thomas (1976), and the solution-orientation strategy of Putnam and Wilson (1982), as the aim of this strategy is to configure an alternative that is attractive to all of the involved

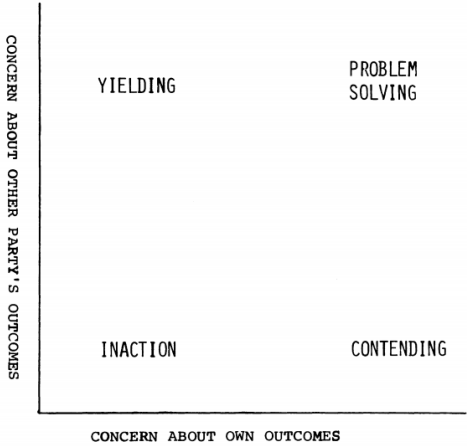


Figure 2: The dual concern model (Pruitt, 1983, p. 173)

parties. The high joint benefit that is accomplished by means of the problem solving strategy makes these kinds of agreements more likely to endure. The opposite of the problem solving strategy is inaction, which implies that no action is taken during the negotiation process. This strategy wastes time and may increase the time to come to an agreement, possibly leading to negotiation breakdown (Pruitt, 1983). A party adhering to the contending strategy imposes its own interest, while ignoring the interest of the other party. They do this by gaining information on the other party which they can use against them, while concealing information about themselves. This strategy is in line with the domination strategy of Follett (1941), but more specifically with the competition strategy of Thomas (1976) and the control strategy of Putman and Wilson (1982). In case both parties have a contending strategy, there is a high probability that they will not come to an agreement. In case the parties come to an agreement, it often is last-minute in the form of a low-level compromise. Another possibility stemming from the fact that both parties contend, is the occurrence of a process of escalation in which the parties in turn react harshly to each other. The yielding strategy is the direct opposite of the contending strategy, as this implies that the party takes the other parties interest into account, while neglecting its own interest. This strategy is in line with the domination strategy outlined by Follett (1941), but more specifically with the accommodation strategy of Thomas (1976).

Pruitt (1983) outlined several tactics regarding the problem solving and contending strategy. Parties adhering to the inaction and yielding strategy are not faced with particular tactics, such as with the problem solving and contending strategy (Pruitt, 1983). The problem solving strategy can be recognized by either joint problem solving or individual activity. Joint problem solving is characterized by the joint exchange of accurate information on the party's

underlying interests based on which the partner collectively identify new issues. The parties will brainstorm about ways to resolve the issues and in some cases collectively evaluate the alternatives. The problem solving strategy in form of individual activity can be distinguished by low- and high risk tactics. The tactics of the problem solving strategy that have a high level of risk outlined by Pruitt (1983, p. 168) are: ‘‘conceding with the expectation of receiving a return concession; mentioning possible compromises as talking points; and revealing one’s interests (i.e., one’s goals and values) to the other party.’’ These tactics can be seen as risky because the other party could take advantage of these tactics, or may misinterpret the tactics. The tactics which have a lower level of risk outlined by Pruitt (1983, p. 168) are: ‘‘hinting at possible compromises, sending disavowable intermediaries, talking in back channels, and communicating through a mediator.’’ These tactics are less riskier as there is a lower chance that these tactics backfire to the partner relying on this problem solving strategy. In case of the contending strategy, the following tactics can be used in order to dominate the other party: ‘‘demands that far exceed what is actually acceptable; commitments to unalterable positions; persuasive arguments aimed at convincing the other that concessions are in his or her own best interest; threats, for example to withdraw from the negotiation or punish the other for failing to make concessions; demonstrations that there is more time pressure on the other than on oneself’’ (Pruitt, 1983, p. 170).

Das and Kumar (2011) based their framework on the dual concern model of Pruitt (1983), including the compromising strategy instead of the inaction strategy. Within this model, a partner who takes into account the concerns of both parties can be seen as cooperative, while a partner who only takes into account their own interests can be seen as competitive. According to Das and Kumar (2011), managers could choose different strategies in different stages of the alliance; the negotiation process must be performed over the alliance life cycle. The alliance life cycle consists out of three stages: the formation-, operation, and outcome stage (Das & Teng, 2002). According to Das and Kumar (2011), the central goal of the operation stage is to resolve conflicts that emerge through the normal course of partner interactions. The negotiation strategy employed by the partners in the operation stage, has implications for the extent to which conflicts gets resolved, and thereby the alliance stability.

According to Das and Kumar (2011), partners using the problem solving strategy within the operation stage are tactful and patient regarding how they deal with the problem. They will pay as much attention to taking care of their relationship as to the problem they are handling. These partners do not make accusations based on inconclusive evidence; they will first uncover more information before moving forward. Hereby, this strategy avoids the danger of escalation,

as no direct accusations are made. Furthermore, partners with a problem solving strategy within the operation stage may exhibit greater flexibility regarding the contract to govern their partnership (Das & Kumar, 2011).

According to Das and Kumar (2011), the contending strategy can be seen as aggressive strategy, which is likely to cause disagreement and heated arguments. The partners quickly accuse each other of being opportunistic and being in violation of the terms of the deal. This strategy leads to distrust and makes alliance success less likely. The partners have the goal to enforce the other to change their behavior, in order to align it with their own interests. This strategy may involve threats to renounce the alliance or to take the partner to court. Because of crisis escalation, successfully resolving the conflict becomes even less likely.

With the yielding strategy, the partner will lower its own expectations while conceding to the others' demands, whereby conflict escalation will be prevented. The nature of the others' demands influences whether the partner chooses this strategy. According to Das and Kumar (2011, p. 1247), 'allegations and accusations of opportunism are unlikely to be accepted by the partners even if they recognize their own contribution to the problem.' In case the partners know that changes need to be made in order to proceed the alliance and they think their partners' proposal is appealing, they may choose the yielding strategy. However, the extent to which this strategy adequately deals with the problem within the alliance is not clear. A certain level of trust is needed in order to choose for yielding. The partner that chooses the yielding strategy may have a lack in bargaining power.

The compromising strategy is characterized by a moderate concern for both partners' outcomes. According to Das and Kumar (2011), the partners will depart from their position whereby it may help to hamper some dysfunctional effects of the conflicting aims. However, the question is whether this strategy helps the partners to deal with their problems, like in the case that only one partner is responsible for the problem at hand. While this strategy likely prevents the immediate alliance failure, it may not be the solution to the fundamental problem. Positive points of the compromising strategy are that it might inhibit the worsening of the relationship and that it might create a space for the partners to come to better solutions in the future.

Paragraph 2.4. outlines which literature or literature combination is used within this specific research, and why this choice is made.

2.4. Combining theory and the research case

As outlined in *paragraph 2.2.*, only few research has drawn attention to non-routine events outside the alliance context, potentially leading to alliance instability. Ariño, de la Torre and Ring (2001) made a distinction between three types of external events: individual-, corporate-, and systemic external events. The COVID-19 pandemic which reignited tensions and conflicts within the Air France-KLM group (Charpentreau, 2020), can be seen as a systemic external event as it affects both parties. The type of negotiation strategy of the partners plays a significant role whether conflicts between the partners get resolved, leading to alliance stability (Das & Kumar, 2011), or in this case group stability. Hereby, the type of negotiation strategy could potentially be seen as an underlying factor of the relation between the external event COVID-19 and alliance instability. For this to hold true, further insight has to be gained on the relation between systemic external events – in this case the COVID-19 pandemic – and negotiation strategies. By comparing the general conflicts and the way these conflicts are resolved within the Air France-KLM group before and during the systemic event COVID-19, the negotiation strategy types before and during the systemic event COVID-19 can be compared. Hereby, possible changes in the negotiation strategies due to the systemic event COVID-19 are detected.

As outlined in *paragraph 2.3.*, several negotiation strategies in order to cope with conflicts have appeared in the literature. Follett (1941) and Putnam and Wilson (1982) each distinguished three different types of negotiation strategies to manage conflict. The distinction of Thomas (1976) is more extensive and specified, as he distinguished five strategy types on two dimensions: cooperativeness and assertiveness. Pruitt (1983) came up with the dual concern model, based on the own outcomes of the negotiation and the outcomes of the other party. Pruitt (1983) distinguished four strategies, namely problem solving, contending, yielding and inaction. Das and Kumar (2011) based their framework on the dual concern model of Pruitt (1983), including the compromising strategy instead of the inaction strategy.

This research is based on the framework of Das and Kumar (2011), as Das and Kumar (2011) based their framework on the dual concern model of Pruitt (1983). Hereby, the literature on how to identify the specific types of strategies is extensive, which is an important factor for an elaborate operationalization for this deductive research. The tactics outlined by Pruitt (1983) complement the specific information outlined by Das and Kumar (2011) on negotiation strategies within the operation stage in which the Air France-KLM group finds itself. *Paragraph 3.3.* further elaborates on the specific measurement.

3. Methodology

This chapter consists out of five paragraphs. The first paragraph discusses the research strategy, followed by the second paragraph on the data source. The third chapter is about the data analysis procedure, including the operationalization. The fourth paragraph on research quality touches upon the reliability and validity of the research. The last paragraph discusses the research ethics.

3.1. Research strategy

This research has the form of a case study, which is an in-depth study of a single social unit with clear boundaries within its context (Myers, 2013), during a certain time period (Bleijenbergh, 2015). The Air France-KLM group is the social unit under investigation in this research, during the period September 2018 and May 2021. According to Myers (2013), a distinction can be made between positivist, interpretive and critical epistemological assumptions regarding case study research. This research aligns with the epistemology of the critical case study. Critical case study research is aimed at providing a critical reflection on the current practices, questioning assumptions that are taken-for-granted, and criticizing the status quo by means of theories (Myers, 2013). This research reflects on the past and current negotiation practices within the Air France-KLM group and criticizes the status quo regarding negotiation strategies that are not fostering the group stability. Hereby, this research can be labelled as practice-oriented research, as it aims to contribute to bettering the practice within the organization (Bleijenbergh, 2015). The organizational practices that are targeted with this research are the practices of the Air France-KLM group, as the outcome of this research may contribute to the decision of these actors whether to change their negotiation strategy or not. However, this research can mostly be seen as theory-oriented as the primary aim is to contribute to scientific knowledge on a particular phenomenon (Bleijenbergh, 2015); the relation between external systemic events and negotiation strategy.

Case study research is a form of qualitative research (Myers, 2013). Qualitative research includes research aimed at the collection and interpretation of linguistic material, whereby statements can be made regarding a phenomenon in reality (Bleijenbergh, 2015). The aim of qualitative research is to understand the social and cultural context people are embedded in, as it is often the case that decisions and actions can only be understood within its context. By talking to people and reading what people wrote, one can follow the way of thinking, which explains the actions that were taken (Myers, 2013). One can imagine that it is important in the

case of the Air France-KLM group to understand the choices made regarding the negotiation strategy, influenced by the systemic event COVID-19. The fact that qualitative research can only be generalized to theory instead of generalized to the larger population (Myers, 2013), is not a disadvantage as this research primarily follows a theory-oriented point of view, combined with a practice-oriented point of view regarding the particular research unit.

The advantage of a case study is to test theories within real life situations (Myers, 2013). As the research object is approached by means of already existing theoretical frameworks, one can speak of a deductive research approach (Bleijenbergh, 2015). The deductive approach entails that the concepts used in the research are operationalized prior to the data collection. Operationalization stands for the way abstract concepts are made empirically measurable (Bleijenbergh, 2015). *Paragraph 3.3* further elaborates on the operationalization.

3.2. Data sources

There are various kinds of data collection techniques, of which the choice depends on the research method, research topic and the data availability (Myers, 2013). A distinction can be made between primary and secondary data. Whereas primary data includes unpublished data, directly gathered from people or organizations, secondary data includes previously published data. When conducting a business case study research, the usage of interviews is almost certain. However, a disadvantage of a case study is the difficulty to gain access to a particular company (Myers, 2013). One can imagine that gaining access is particularly difficult if it might involve confidential information, like information about negotiation strategies. Because of the sensitive topic and therefore the difficulty of finding appropriate interviewee's who give reliable answers, the choice is made to rely on a secondary data source. This research is based on secondary data retrieved from public data sources, namely the media. The media are the most applicable secondary source to obtain reliable data on the negotiation strategies between Air France and KLM, as it is an external party from the Air France-KLM group.

The particular type of media used are 56 news articles from Nexis Uni on conflicts, tensions and negotiations within the Air France-KLM group during the period September 2018 and May 2021. The search terms used to select the news articles are the following: 'Air-France W/s KLM W/s spanning or spanningen or conflict or conflicts or conflicten' and 'KLM W/s Air France W/s onderhandelingen or onderhandelings or overleg', whereby double documents were grouped. While the search terms consist out of English and Dutch terms in order to enlarge the number of articles to be used, only two English written articles seemed to be useful for this research analysis in the end. The list of the 56 news articles is outlined in *Appendix A*, including

the article name, the name of the newspaper, the date of issue, and the corresponding number which is used within the analysis to refer to the specific articles.

The time period from September 2018 till May 2021 is chosen as it is most applicable for detecting differences of the negotiation strategies caused by the systemic event COVID-19 identified in January 2020 (WHO, n.d.). The appointment of Ben Smith as CEO of the Air France-KLM group in September 2018 (Allal-Chérif, 2019), set a series of conflicts in motion within the group. By comparing the negotiation strategies before and during the systemic event COVID-19, the negotiation strategies because of the systemic event COVID-19 are identified.

3.3. Data analysis

As already mentioned in *paragraph 3.1*, this research has a deductive approach, which means that the concepts used in this research are operationalized prior to the data collection. Operationalization stands for the way abstract concepts are made empirically measurable (Bleijenbergh, 2015), by means of indicators, dimensions and central concepts. The indicators are the connectors of the abstract research concept and the concrete empirical concepts within the data (Bleijenbergh, 2015).

Figure 3 shows the operationalization of the concept ‘negotiation strategy’, which is based on the framework of Das and Kumar (2011) complemented with insights from Pruitt (1983), as outlined in *paragraph 2.4*. The four negotiation strategies distinguished by Das and Kumar (2011) are the dimensions with numerous subdimensions and indicators. It is noticeable that the dimensions ‘problem solving’ and ‘contending’ consist out of more subdimensions and indicators than the dimensions ‘yielding’ and ‘compromising’. This can be explained by the fact that parties adhering to the inaction and yielding strategy are not faced with particular tactics such as with the problem solving and contending strategy (Pruitt, 1983), as outlined in *paragraph 2.3*. Overall, only concepts that are directed at measuring specific characteristics of the negotiation strategies are taken into account. Concepts that are conditions that need to be met in order to increase the probability of a particular strategy to be used are not taken into account, as they do not reflect the actual situation (e.g. a lack of bargaining power or an appealing proposal from the partner).

The actual qualitative content analysis is the application of the codes that are outlined by *figure 3*, to fragments in the text in order to unravel, combine and interpreted the material; the coding process (Bleijenbergh, 2015). Based on the coding of the news articles, the secondary data is analyzed. The data comprises information on conflicts, tensions and negotiation processes within the Air France-KLM group between September 2018 and May

2021. By outlining the process of the negotiation strategies, remarkable findings regarding the negotiation strategies coming from the systemic event COVID-19 are identified.



Figure 3: operationalization 'negotiation strategy'

3.4. Research quality

Bleijenbergh (2015) outlines the three components of methodological reflection: reliability and internal and external validity. Reliability means that the findings are not biased because of accidental deviations. With qualitative research this is hard to prevent as qualitative research is characterized by few observations (Bleijenbergh, 2015). Therefore reliability is often replaced by verifiability within qualitative research. Verifiability is obtained by providing insight into the choices made during the selection of respondents and documents and making the process followable to others (Bleijenbergh, 2015). In order to increase the verifiability of this research, the method section is described in detail, so that the choices made are extensively described.

Internal validity is about the question whether one is measuring what one is aimed to measure; is it possible that there is systematic bias regarding the way observed or analyzed (Bleijenbergh, 2015)? First of all, the fact that this research has a deductive approach increases the internal validity, because the operationalization of the concepts that are measured are based on existing dimensions and definitions. Moreover, because of the extensive literature of Das and Kumar (2011) complemented with insights from Pruitt (1983) this research relies on, the operationalization is comprehensive. Hereby, the coding and analyzation of the data is specific and clear, whereby it is more certain that there is measured what is supposed to get measured, increasing the internal validity.

Furthermore, the data source this research relies on, is chosen based on the internal validity. Nexis Uni is used for the selection of articles, because this it includes articles from lots of different national and international newspapers. As these newspapers all have a different point of view on events, it is made sure that this research is not analyzed from one particular point of view. This increases the internal validity as the possibility on systematic bias is decreased. Moreover, the newspapers from Nexis Uni are an external party from the Air France-KLM group, which also decreases the chance of biases. In case data sources from Air France or KLM were used to analyze the data, like year reports, the probability of biased research findings would have been higher.

External validity is about the question whether the findings are generalizable to the bigger population (Bleijenbergh, 2015). Within qualitative research, only the patterns found in the data are possibly generalizable to theory. However, as this research has a theory-oriented point of view, no measures are taken in order to enlarge the external validity.

3.5. Research ethics

This research takes research ethics into account, which are the moral principles that govern and influence research conduct (Myers, 2013). This research takes two relevant practical principles into account, namely truthfulness and relevance. Truthfulness is taken into account as it is unethical for researchers to purposefully deceive or employ fraud (Myers, 2013). Therefore, all statements made in this research are based on theoretical support with corresponding references based on APA standards. Furthermore, the results from the analysis of the news articles are substantiated with numbers that correspond to the particular news articles outlined in *Appendix A*, which makes it easy to trace back where the statements are based on. The relevance concerns the research topic, as research should never be for irrelevant purposes (Myers, 2013). This research is not only theoretically relevant, but is also of societal relevance. The negotiation strategy of Air France and KLM has major consequences for the stability of the Air France-KLM group, and thereby for the French and Dutch economy. This research makes managerial and policy recommendations regarding these negotiation strategies, influenced by the systemic event COVID-19. These recommendations are aimed at the best outcome for the parties and thereby society as a whole.

4. Results

This chapter is divided into two paragraphs. The first paragraph identifies the negotiation strategies within the Air France-KLM group based on the conflicts and the way conflicts are solved before the systemic event COVID-19. The second paragraph identifies the negotiation strategies within the Air France-KLM group based on the conflicts and the way conflicts are solved during the systemic event COVID-19.

4.1. Prior to the systemic event COVID-19

Towards the end of 2018, the first news articles about problems related to the appointment of Ben Smith as CEO of the Air France-KLM group appeared (1, 2, 3). Smith wanted to get rid of KLM's autonomous position and let the parent company take the lead (4). As it was previously agreed to maintain the independent business operations (7), Smith's intentions regarding the business integration are in violation with the terms of the deal. While the focus in Paris is on the integration of the business operations (1), KLM is particularly fixated on retaining their autonomy, so that they can prevent Air France from benefiting financially from KLM (3). As KLM is of great value to the Dutch economy because of its attraction of head offices of large companies (6), they want to stay autonomous. Because of these different points of view, Smith wanted to obtain a place within KLM's supervisory board, in order to get what he wants. However, KLM found this proposal unacceptable (2). This series of events shows that both parties put their own interests first without taking the interests of the other party into account, indicating a contending strategy. Smith and Air France want to integrate the business operations to invest the money of KLM in Air France, while KLM wants to stay autonomous to prevent that Air France benefits financially from KLM. Moreover, the course of actions of Smith in order to achieve his goals, indicates a contending strategy: his intention is in violation with the terms of the deal and his demand to obtain a place in KLM's supervisory board is far exceeding the acceptable form the KLM perspective.

In mid-February it became restless again within the Air France-KLM group. Smith appeared to have adopted a new tactic to achieve his business integration goal, which led to heated and harsh arguments in line with the contending strategy. The beloved CEO of KLM, Pieter Elbers, needed a contract extension, of which Smith was taking advantage of (9). Probably, Smith wanted to replace Elbers with a less powerful director (4). Smith himself did not reveal his intentions (7), which indicates a contending strategy as he was concealing information about himself. Replacing Elbers is a strange choice in terms of business

performance, as KLM's results are better than Air France's (7). Again, it is said that Smith wanted to have control over KLM's money in order to invest it in Air France, which was impossible at that moment because of KLM's independent operations and cash management (9). Smith seemed to favor French interests since the moment that he became CEO of the Air France-KLM group (22), which explains the fact that Air France supports Smith and KLM supports Elbers (15). Based on the interests of Air France and KLM, two fronts have clearly been formed: Smith and Air France on the one hand and Elbers and KLM on the other. The fact that the parties are each fixated on their own interests without taking the interests of the partner into account again indicates a contending strategy from both sides. The fronts were made even more clear by means of the statement by the French newspaper "La Tribune" that Smith would not rest until he had control of KLM (4). This statement can be seen as a threat from France towards KLM, which is a tactic of the contending strategy. Ultimately, both parties got what they wanted: the French supported the reappointment of Elbers as CEO of KLM and Smith obtained a place within the KLM supervisory board (13). This solution can be seen as a compromising strategy as both parties had to settle in exchange for what they wanted mostly. In addition, this solution is not fixing the fundamental problem regarding the autonomy of KLM, which again indicates a compromising strategy. Yet, the French front is a little closer to their integration goal by using the information they had about their partner; the fact that Elbers is much appreciated by the Dutch front. This can be seen as a tactic of the contending strategy on behalf of the French front.

Elbers indicated that a situation was created to get out of the spiral of unrest and that he hoped that Smith and Anne Rigail, the CEO of Air France, would not make it restless again (12). Yet, new unrest was created within the Air France-KLM group due to an action of the Dutch, to the surprise of the French government (19). The Dutch state bought shares from the Air France-KLM group without letting the French know (18), with the aim of getting as many shares as the French state: 14.3 percent (14). This indicates a contending strategy from the Dutch front, as they concealed information about themselves. In the summer of 2017, the Dutch government already wanted to become a large shareholder in the group. At that time, Air France-KLM had decided to make Delta Airlines and China Eastern a major shareholder without prior consultation with the Dutch government. According to Hoekstra, Dutch Minister of Finance, this illustrated how little influence the Dutch government had when things were getting tense. According to Dijsselbloem, the former Dutch Minister of Finance, plans were constantly coming from Paris that could damage the position of KLM; Air France-KLM was not concerned with the Dutch interest (18). This implies a low concern for the partner's

outcomes from the French, which is in line with a contending strategy. Since France wanted to sell some of their Air France-KLM shares, Dijsselbloem proposed that the Dutch state could take over those shares. The Dutch state wanted to acquire an equity stake as large as the French, but in consultation with the French in order to safeguard the relations (18). This points to a problem solving strategy, since the Dutch front has a high concern for own outcomes but also takes care of the relationship. Nevertheless, the French government did not agree with the proposal, as Le Maire, the French Minister of Finance, did not know how to explain to the French that the Netherlands would buy shares of Air France-KLM, while France would at the same time reduce its state interest (18). This points to a contending strategy from the French side, as they had a high concern for their own outcomes, while their concern for the Dutch interests was low.

So, the Dutch state had been planning to acquire shares for some time, but constantly it was not the right time due to various events such as the appointment of Smith and the reappointment of Elbers. Now was the right time and apparently the Dutch cabinet thought that a consultation with France would yield too little as they acquired the shares without notifying the French (18). They did not inform the French state until one hour before the official announcement, which is just within the time limit allowed for this type of stock market activities (22). In addition, Smith had recently been in The Hague for a meeting with Hoekstra. An hour after that meeting, a cabinet meeting took place in which permission was asked from the Dutch cabinet to purchase the shares, without Smith's knowledge (18). This indicates an extreme degree of concealing information about themselves from the Dutch front. According to Hoekstra, he had not told Smith because it involved price-sensitive information, which could have caused Air France-KLM's share price to rise if the information would have been leaked. This would make the purchase more expensive for the Dutch state (18), which indicates a high concern for own outcomes. Le Maire called the actions "hostile" and "incomprehensible" (19). He also named words such as: "unfriendly", "trader's techniques", "value destructive", "deceptive" and "secret" (22). These heated and harsh arguments align with the contending strategy, this time from the French front in response to the actions of the Dutch. The French business newspaper *Les Echos* mentioned that the French Ministry of Finance wanted to postpone the shareholders meeting of Air France-KLM in April. In doing so, they would block Elbers' reappointment (19, 20). As described in *Les Echos*, the purpose of the postponement is to force the Dutch to adopt a different tone (20). A press release from the Air France-KLM group also hinted to the withdrawal of the holding's support to Schiphol (17). This can both be seen as threats from the French, indicating a contending strategy.

Hoekstra acknowledged that the Dutch operation was "unorthodox" (19), but without bad intentions (21). The Dutch government has always kept in mind the interest of the group as a whole (19) and the purchase serves both Dutch and French interests (21). According to Hoekstra, this action was based on two goals: bettering the performance of the Air France-KLM group and equally promoting the vital interests of both countries (19). These words indicate a problem solving strategy as it takes into account the interests of both parties. However, these words do not align with the Dutch actions, which represented a contending strategy. It had recently become apparent to the Dutch front that the Dutch state has too little influence to serve the public interest and to make Air France-KLM a success (14, 16). The Dutch state would probably join the board of the group now it had more shares, whereby they could influence the strategic decisions (22). According to Hoekstra, the recent discussions were not the reason for the purchase. However, it indicated that the Dutch front has come under pressure (14, 16).

KLM Chairman of the Board Hans Smits said he hoped that the Dutch action would be the start of a new period in which the optimism of the first period of Air France-KLM will return. Others stated that the arguing within the group should stop and that they have to start working together (17). According to Hoekstra, disbanding the group would not happen; they were going to make a success of the group (19). The two fronts therefore would start a joint process by the end of June that would lead to proposals for strengthening and reforming the airline, leading to closer cooperation between France and the Netherlands. Le Maire also indicated that the parties are opening a new chapter in the history of the Air France-KLM group (19). These statements and intentions are in line with a problem solving strategy. In July 2019, Elbers indicated that peace had returned between the French and the Dutch and that the CEO committee was established, consisting of Ben Smith, Frédéric Gagey, Anne Rigail and Elbers. In addition, Anne Rigail and Elbers also did a lot of things together (25), and they have a good working relationship (28). It seems like they are living up to their statements and intentions. The CEO committee indicates that the parties are focused on joint problem solving and the good working relationship indicates that they are taking care of the relationship. Air France even appointed a Dutchman, Steven Zaat, as head of the financial department. This appointment can be seen as a remarkable step given the tensions between KLM and Air France (23). Zaat's appointment may be a gesture towards the Dutch camp (24). Discussions are also being held between the parties about matters that KLM does not feel comfortable about regarding the Air France-KLM group (26), which indicates a problem solving approach. Nevertheless, the negotiations regarding the additional seat in the Board for the Netherlands because of their share purchase in February 2019 are stalled. In March 2020 there was still no approval for an

additional board member, which was strange given the fact that the much smaller shareholders China Eastern and Delta Airlines were immediately assigned a seat on the board of directors in 2017 (29). The fact that no outcome is reached indicates that both parties are mainly committed to their own interests.

4.2. During the systemic event COVID-19

In April 2020, at the start of the COVID-19 pandemic, Elbers indicated that he would not work on disbanding scenarios of the group and that the focus would be on financing and surviving the crisis (30). Also the French government stated several times that they wanted to hold on to the Air France-KLM group at all costs (31). These statements indicate a problem solving strategy from both sides as they are taking care of the relationship. While it was time of crisis, the Air France-KLM Supervisory Board wanted to reward Smith with a bonus if he would succeed to secure government aid (55). However, the bonus that Smith would receive has been cancelled in response to political disapproval, while Smith himself suggested it was part of his earlier commitment to give up some of his salary. Probably the criteria have even been adjusted, in order for Smith to still receive a bonus in the crisis year. These actions of Smith indicate the concealment of information and high concern for his own interests while ignoring the interests of the other parties, which aligns with the contending strategy. The decisive factor in canceling the bonus was probably Hoekstra's rejection, who said that bonuses are inappropriate and unwise in time of crisis (32). In a shareholders' meeting, 84 percent of the shareholders agreed to cancel the bonus, including the French state (55). The Dutch and French chose the same side against Smith, which is a new development. While Smith adjusted his bonus criteria in times of crisis, Elbers gave up part of his fixed salary. Even more frustration from KLM towards Smith arose because Smith had set the further integration of the Air France-KLM group as a target for the coming year, which is not in line with the image of the future of KLM and certainly is not a topic of conversation in times of crisis (33). This shows that KLM and Smith still have a high concern for their own outcomes.

Dutch and French officials worked on a support package, for which Hoekstra and Le Maire had almost daily contact (34). The daily contact could indicate a problem solving strategy as they are taking care of the relationship and joint problem solving. However, while generating state aid could have displayed unity, it actually showed that France only cares about Air France and that the Netherlands only cares about KLM (35). An Air France-KLM press release extensively thanked the French government for its support, while barely giving attention to the Dutch "intention" to grant KLM state aid (35, 36). While Hoekstra was still in full discussion

with KLM and the banks about the conditions of government aid, the French Minister of Finance could not wait any longer, because of the financial situation of Air France. Hereby, Hoekstra faced a dilemma. If he delayed his own announcement until he reached an agreement with KLM, it would give the impression that the Dutch cabinet would abandon KLM while the French were generous to their own airline. On the other hand, announcing state aid in advance while negotiations were still ongoing would weaken the government's negotiating position. Hoekstra chose to announce the state aid, without mentioning the exact amount, so that he would still have room for maneuver with the negotiations (35). This situation displays the high concern for own outcomes from the French, and the low concern for the outcomes of the Dutch. Furthermore, Hoekstra only heard one hour before the French announcement of the state aid that the conditions for the French state aid had been approved by the European Commission. Logistically, it was not possible for the Netherlands to set up a press conference within an hour. Le Maire did not want to postpone the announcement in order to synchronize with the Dutch announcement, probably because he had to miss his prime-time moment in the French evening news (35). As a result, the Dutch announcement made an improvised impression with many uncertainties, such as the amount of aid varying between 2 and 4 billion euros (36). Once again, this shows the high concern for own outcomes from Air France and the low concern for the outcomes of their partner, KLM.

At KLM, they prefer the state aid for KLM and Air France to remain strictly separate, since joint state aid also means joint debts. Air France is more unstable than KLM and KLM has been concerned for years that the French-dominated group top will let the Dutch pay for the problems on the French side (35). This indicates a contending strategy from the KLM, as they take into account their own interests, without paying attention to the interests and survival of Air France. The separate rescue shows once again how difficult the cooperation between the partners is (36). Both ministers of Finance display their own interest, whereby they unintentionally contribute to the tensions within the group, as the loans display the two fronts (37). Now the ministers of Finance, Hoekstra and Le Maire, are setting conditions in order for their support of € 4 and € 7 billion to only go to their national pride, a separation of the group seems close (38). The Dutch House of Representatives decided to investigate the disconnection of KLM from Air France, which did not seem like a good idea by Hoekstra himself. However, if it would turn out that KLM would be much stronger than in combination with Air France, the disconnection would be a better outcome for KLM (39). This shows the high concern for own interests from the KLM and the low concern for their partner's interests. However, both parties will be worse off alone, but still want to strengthen their own position in the group. The Dutch

government again wants to invest at the level of KLM and not at the level of the Air France-KLM group, just as with previous loans. This annoys the French government, which argues that any investment in the group is also in KLM's interest (47). This French standpoint can be interpreted as taking into account both the interests of their own as well as their partner's interest, which would mean a problem solving strategy. However, it could also be interpreted as taking into account their own interests to the advantage of their partner's interest, in case they would only use the Dutch aid for Air France, which would imply a contending strategy. The Dutch cabinet nevertheless captured agreements in the support package for the airline, so that Air France-KLM could not simply transfer activities from KLM to Air France (41). In addition, a Dutch state agent would ensure that the Dutch aid is only used for KLM and that the conditions are adhered to (42). However, the state agent only makes the situation in which there already is friction between KLM and Air France even more complex (44). These measures indicate a contending approach from the Dutch side as they are taking into account their own interests, even till the decremental of the group as a whole.

While the Netherlands imposes strict conditions and cutbacks on KLM and its staff, France barely does that for Air France (45). There are no equal requirements for state aid, while Air France also has to sacrifice in order to survive. This indicates a contending strategy from Air France as they only take into account their own interests. The divergent strategies increase the chance of a new conflict within Air France-KLM (43). However, according to Gagey, the collaboration is really strong and the two teams are working together on a daily basis under excellent conditions (45). These words imply joint problem solving and taking care of the relationship from both sides. Nevertheless, the negotiations about the next round of support will take a long time because it is a complex matter. This is, for example, due to the conditions imposed by the parliament on the support and because many parties are involved in the discussions: the Dutch and French states, Air France and KLM, the banks involved and also the European Commission. The European Commission will assess the consequences for the parties in exchange for the state aid. For example, the committee may determine that the airline must hand in slots (48). The French government and trade unions publicly opposed giving up so-called slots – a starting moment or landing moment – in exchange for support (50, 51), as these slots would be at the expense of French employment and future earning capacity (51). The European Commission also required KLM to hand in slots if they want to receive state aid, in order to prevent unfair competition (52). The KLM trade unions sent a letter to the European Commission regarding their concern as both airports are at their maximum capacity, which means that they will never be able to make up for lost income in the future (51). The letter from

KLM to the European Commission implies a problem solving approach from KLM as they fight for the interests of themselves and their partner, Air France. The need for state aid at Air France would be greater than at KLM, which allowed the Netherlands to take longer to negotiate with the European Commission (50). In exchange for an additional aid of 4 billion, Air France has to hand in 18 take-offs and landings per day at Paris' Orly airport, which is 5.5 percent of the total flights (52).

Eventually the details became clear. The French state wanted to convert the direct loan of 3 billion that Air France received in May 2020 into a perpetual bond to strengthen its balance sheet and wants to issue new shares of the Air France-KLM group for up to 1 billion euros. Both France and China Eastern Airlines will participate, with the French stake up to 29.9 percent and the Chinese stake to 10 percent. According to Hoekstra, the Netherlands will not participate in the share purchase because of the uncertain prospect for the recovery of the aviation sector and the absence of urgency at KLM. If all 214 million new shares will be issued, the Dutch interest that had been build up till 14 percent will be decrease to 9.3 percent (53). According to Hoekstra, this change will have no consequences for the public interests (53, 54). The Dutch state remains a major shareholder and the enlarged French power will be decreased to approximately 14 percent within five years, as the European Commission has set the condition that the additional support must be temporary (54).

5. Theoretical reflection

The operationalization and thereby the measurement of this research is based on literature of Pruitt (1983) and Das and Kumar (2011). Pruitt (1983) established a dual concern model based on the own outcomes of the negotiation and the outcomes of the other party, including the following strategies: problem solving, contending, yielding and inaction. For this research, the dual concern model of Das and Kumar (2011) is used which is different from the model of Pruitt (1983) in the sense that the inaction strategy is replaced by the compromising strategy.

According to Pruitt (1983), a party adhering to the contending strategy imposes its own interests, while ignoring the interests of the other party. With the appointment of Smith as the CEO of the Air France-KLM group two fronts established – on the one hand Smith and Air France and on the other hand Elbers and KLM – which were both only concerned with their own interests. According to Pruitt (1983) this situation in which both parties contend creates a possible process of escalation in which the parties in turn react harshly to each other. Therefore, a contending strategy can be seen as an aggressive strategy according to Das and Kumar (2011). The research findings partially support the statement of process escalation and the contending strategy as being an aggressive strategy, as it seems to depend on the systemic event COVID-19. Prior to the systemic event COVID-19, the two parties reacted to each other's contending actions by means of their own contending actions, often in a harsh manner. For example, the intention of Smith to replace Elbers, the Dutch state concealing the information that they were buying shares from the Air France-KLM group, and the heated reaction and threats from the French due to the Dutch share purchase. During the systemic event COVID-19 both parties still took actions that indicated a contending strategy. However, the parties did not react in a harsh and aggressive manner to these contending actions, as was the case prior to the systemic event COVID-19. For example, the selfish behavior regarding the state aid announcement from the French, without the Dutch reacting in a harsh manner. Furthermore, the separate state aid and the investigation of the Dutch regarding the disconnection of the Air France-KLM group, which both did not provoke harsh and aggressive responses from the other party. Hereby, it seems that the statements of Pruitt (1983) and Das and Kumar (2011) regarding the process escalation and the contending strategy as being an aggressive strategy, particularly hold true in the situation without the systemic event and do not count for a situation with a systemic event.

Besides the process escalation as being a characteristic of the contending strategy, Pruitt (1983) outlined several tactics which are typical for the contending strategy: ‘demands that far exceed what is actually acceptable; commitments to unalterable positions; persuasive

arguments aimed at convincing the other that concessions are in his or her own best interest; threats, for example to withdraw from the negotiation or punish the other for failing to make concessions; demonstrations that there is more time pressure on the other than on oneself” (Pruitt, 1983, p. 170). Some of these tactics could be identified prior to the systemic event COVID-19, such as the demand of Smith to take a place in the board of KLM that was far exceeding the acceptable from the Dutch point of view, and several threats coming from the French side. Also during the systemic COVID-19 the contending strategy is used. However, during the systemic event COVID-19 it were not the tactics that were used by the parties, but just the fact that the parties put their own interests first without taking into account the interests of the other party, indicating a contending strategy. While before the systemic event COVID-19 the contending strategy was identified by means of sneaky and harsh tactics, the contending strategy during the systemic event COVID-19 was identified by means of the selfish interests. Hereby, it seems that the contending tactics outlined by Pruitt (1983) are mostly used without a systemic event taking place.

Besides the contending strategy, also indications for the problem solving strategy are identified, both prior to the systemic event COVID-19 and during the systemic event COVID-19. The establishment of the CEO committee prior to the systemic event COVID-19 indicates a problem solving strategy, because of the idea of joint problem solving (Pruitt, 1983). However, almost a year after the establishment of the committee, there was still no approval for an additional Dutch board member because of the Dutch share purchase. This is not in line with the problem solving strategy, as it seems that the parties still put their own interest first. Also at the start of the systemic event COVID-19, statements were made that the parties would hold on to the Air France-KLM group, indicating a problem solving strategy. However, the actions taken during the systemic event COVID-19 and the Dutch investigation for disbanding the Air France-KLM group are not in line with the problem solving strategy. According to Pruitt (1983), the aim of the problem solving strategy is to configure an alternative that is attractive to all of the involved parties. However, in both cases, no solutions were found that are attractive to both parties. It could be the case that the parties pretend to make use of a problem solving strategy, while they actually pursue a contending strategy. Hereby, displaying problem solving characteristics could be a tactic of the contending strategy, in order to look like a collaborating partner while actually striving for own interests. In case this would hold true, the identification of a problem solving strategy or contending strategy would even become harder. In that case, a clear distinction should be made between words, gestures and promises, and actual actions and solutions.

As outlined in the *introduction*, the theoretical relevance of this research is based on the fact that external disruptive events – such as the COVID-19 pandemic – are overlooked as factors influencing the alliance stability. More specifically, the underlying factor ‘negotiation strategy’ regarding resolving conflicts between alliance partners, is neglected as a potential underlying factor. As already stated, it seems from the results that since the existence of the COVID-19 pandemic, Air France and KLM did not react to the contending actions of the other party. Although the negotiation strategy did not significantly change due to the systemic event COVID-19, the escalation of the contending strategy stopped, whereby resolving conflicts becomes more likely (Das & Kumar, 2011). Hereby, it seems that the systemic event COVID-19, influenced the negotiation strategies of the parties in way that the stability of the group is increased. Based on these findings, the negotiation strategy can be seen as an underlying factor of the relation between external events and alliance stability. While Ariño, de la Torre and Ring (2005) pointed out that the way alliance partners react to the event could influence the alliance and Yan (1998) suggested that internal configurations could increase the probability of alliance termination, this study points out that the alliance partners react less harsh to the actions of each other since the occurrence of a systemic event, whereby alliance stability increases. Hereby, this research is a great contribution to the existing literature on systemic external events and alliance stability.

6. Conclusion

Based on *chapter 4*, it seems that with the appointment of Smith, two fronts were created: on the one hand KLM and Elbers who defended the interests of KLM, and on the other hand Air France and Smith who particularly defended the interests of Air France. Elbers wanted to retain the autonomous position of KLM in order to prevent that Air France benefits financially from KLM, while Smith wanted to integrate the business operations and invest the money in Air France. The course of action of Smith to achieve his (and Air France's) interests represented a contending strategy in all respects. This led to heated and harsh arguments between the parties, which indicates a contending strategy from the Dutch side as response. Ultimately, the solution was based on a compromising strategy as it involved a compromise which was not fixing the fundamental problem regarding the autonomy of KLM.

While the previous tensions came from the actions of the French side, tensions were now created by an action of the Dutch. The Dutch state bought shares from the Air France-KLM group without letting the French know, which seems like a response to the previous conflicts in order to increase their power. While the Dutch government made use of a problem solving strategy when they unsuccessfully tried to obtain the shares in 2017, they now made use of a contending strategy. This action provoked threats and heated and harsh arguments from the French front, implying a contending strategy in response to the actions of the Dutch. According to Hoekstra, the Dutch government was taking into account the interests of both parties with this purchase. These words indicate a problem solving strategy, and the two fronts both indicated that a new collaborative chapter would start for the Air France-KLM group, which also indicates a problem solving strategy from the French. Indeed, they seemed to keep their promises. However, one year after the share purchase, the Netherlands still did not get their additional seat in the board.

At the beginning of the systemic event COVID-19 both parties indicated that they wanted to hold on to the group and survive the crisis, indicating a problem solving strategy. During a shareholders' meeting about the abolition of Smith's bonus, the Dutch and French chose the same side against Smith, which is remarkable since the two fronts created before the systemic event COVID-19. However, the unbalanced press release and the unsynchronized announcement of the state aid for KLM and Air France which put the Dutch for a dilemma, indicate a contending strategy from the French side. However, this time the Dutch did not react to it by means of heated arguments or a contending action from their own side. The separate state aid of the two parties indicates a contending strategy from both sides, but not in reaction

to each other. While some actions followed from both sides that indicated a contending strategy, these actions did not lead to direct reactions or heated arguments from the other party.

The negotiations about the next round of support were taking a long time because the European Commission who stated that if Air France and KLM wanted to receive state support, they had to hand in slots. The KLM trade unions sent a letter to the European Commission regarding their concern for both parties, which implies a problem solving approach from KLM. Eventually, the decision is made that the French state will issue new shares of the Air France-KLM group in which France will participate for up to 29.9 percent. The Netherlands will not participate, whereby their interest they previously build up in secret will decrease. However, this will not have consequences for the public interests, as the European Commission has set the condition that the additional support must be temporary. It seems like this solution does not turn out badly for one of the two parties.

In conclusion, while the parties before the systemic event COVID-19 continuously reacted to each other's contending strategy actions by means of their own contending approach, this does not seem to be the case during the systemic event COVID-19. First both parties still primarily had a contending approach, however they did not react to the contending actions of each other. Moreover, the Dutch side even took on a problem solving approach during the systemic event COVID-19, when both parties had struggles with the same actor; the European Commission. Nevertheless, this action did not have negative consequences for the Dutch, so it could only turn out positive for the Dutch. Based on these result findings, the research question can be answered: *Which negotiation strategies are used within the Air France-KLM group because of the COVID-19 pandemic?* The contending strategy is still used, but the partners do not react to the contending actions of each other by means of their own contending actions anymore. Hereby, the escalation process is stalled and the stability of the group is strengthened.

7. Discussion

This chapter consists out of two chapters. The methodological reflection and future research discusses the shortcomings of this research and the recommendations for future research linked to it. The second paragraph discusses the policy and managerial implications.

7.1. Methodological reflection and future research

While the original plan was to analyze articles from different countries, the analyzation only involved two articles from a non-Dutch newspaper in the end. This unbalanced distribution can be explained by the fact that KLM is a Dutch company and Air France is a French company, whereby the conflicts within the Air France-KLM group are most important to the Netherlands and France and thereby most articles are written in Dutch or French. Because of insufficient French language skills of the researcher, the French point of view could not be taken into account with this research. It has to be taken into account that the single country perspective could have created bias, also because of the Dutch nationality of the researcher. This could have led to an internal validity decrease. Hereby, a recommendation for future research is to analyze the research case from the French point of view, in order to get the full picture of the story and also better understand the actions of the French.

Based on the analyzation of the articles, it seemed that particularly the contending strategy, but also indications of the problem solving strategy were identified as negotiation strategies within the Air France-KLM group. First, as outlined in *chapter 5*, it has to be taken into account that it could be the case that the parties pretended to make use of a problem solving strategy, while they actually pursue a contending strategy in order to look like a collaborating partner while actually striving for own interests. Therefore, a recommendation for future research is to investigate whether pretending to use the problem solving strategy could be a tactic of the contending strategy. Second, it has to be taken into account that there is a probability that these results are a bit biased, because of the division of indicators among the dimensions identified by means of the operationalization. As Pruitt (1983) outlined several tactics regarding the problem solving and contending strategy, and not for the compromising and yielding strategy, the problem solving and contending strategies have a more elaborated set of indicators than the other two negotiation strategies. Furthermore, two of the three indicators for the compromising strategy is the medium interest for own outcomes and the other parties outcomes. One can imagine that these situations are harder to recognize than a more extreme

situation with really high or low interests. These reasonings have to be taken into account, as it may have led to systemic biases, and thereby decreased the internal validity of the research.

Furthermore, the analyzation of the articles showed that there are a lot more parties involved regarding the conflicts within the Air France-KLM group than these two parties. Before the COVID-19 pandemic the actors involved clearly chose one of the two fronts: either the Air France or the KLM front. Hereby, the analyzation was still based on two partners in form of the two fronts, which aligns with the theoretical literature this research is based on, as the frameworks are also based on the situation of two partners. However, during the COVID-19 pandemic, several actors occurred as it became a more political issue, because of the possible national consequences. It has to be taken into account that the analyzation of the actions of all the actors involved fell a bit short, because of the theoretical literature this research relied on. Hereby, a recommendation for future research is to conduct a more comprehensive analyzation including all stakeholders. Specific actions of actors could be better substantiated and it could be tested whether the theories still hold true when applicable to more than two actors.

It seems from the results that the way the involved actors react to each other's actions changed, and that there even could be a change in the negotiation strategy itself. The fact that the parties did not react to each other's contending actions anymore after the COVID-19 pandemic, could potentially be explained by the fact that both parties are affected by the external event, and know what the consequences are. Hereby, it may be the case that they understand the actions of the other party, as they also act in the same way in order to survive the COVID-19 pandemic. Later on, it seems from the results that the parties even took on problem solving strategies, which potentially could be explained by the situation in which both parties fight against a mutual enemy; the COVID-19 pandemic in the first place, but maybe also the European Commission. This could have strengthened their relationship. However, it is not sure whether these assumptions hold true. Furthermore it could be questioned whether this change truly comes from the COVID-19 pandemic, or that other factors influenced the shift. Therefore, a recommendation for future research is to conduct interviews with actors of the Air France-KLM group in order to find out whether the changes come from the COVID-19 pandemic in the first place, and whether the assumptions hold true or that it is the case that specific explanations are overlooked.

7.2. Policy and managerial implications

Whether conflicts leading to alliance instability between alliance partners can be resolved, greatly depends on the negotiation strategy of the alliance partners (Das & Kumar, 2011). According to Pruitt (1983), in case both parties have a contending strategy, there is a high probability of escalation in which the parties in turn react harshly to each other and will not come to agreements on problems. This escalation also happened to Air France and KLM before the COVID-19 pandemic. Because of crisis escalation, successfully resolving the conflict becomes less likely. Hereby, the contending strategy increases the instability of the group and makes the success of the group less likely.

During the COVID-19 pandemic, it looked like the escalation stopped between the parties and even a shift happened towards a problem solving strategy when the KLM trade unions sent a letter to the European Commission in interest of themselves and their partner Air France. These characteristics go hand in hand, as a problem solving strategy involves parties that pay attention to the problem they are handling and to the partner relationship, whereby this strategy avoids danger of escalation of mutual conflict (Das & Kumar, 2011). The high joint benefit that is accomplished by means of the problem solving strategy makes these kinds of agreements more likely to endure (Pruitt, 1983). Hereby, the stability of the group is increased and the probability of group termination is lower.

Based on the research findings and the already existing literature, the recommendation towards the management of Air France and KLM, but also to the French and Dutch governments which are involved since the start of the systemic event COVID-19, is to pursue the way they are managing the relationship at the moment, and maybe even make a greater shift towards a problem solving strategy. Without the process escalation of harsh reactions to the contending strategies of each other and even the problem solving action of the Dutch, it is more likely to solve the conflicts and establish a solution that is beneficial to all parties: Air France, KLM, the French government, the Dutch government, and the Air France-KLM group as a whole.

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Appendix A: News Articles

<i>Article number</i>	<i>Article name</i>	<i>Newspaper</i>	<i>Date of issue</i>
1	Nieuwe CEO zoekt ruzie.	De Telegraaf	26-09-2018
2	Ruzie over macht bij KLM.	Utrechts Nieuwsblad	02-10-2018
3	Nieuwe zorgen KLM om machtsgreep.	De Volkskrant	01-11-2018
4	Managers KLM bezorgd over strategie.	NRC	12-02-2019
5	Management KLM bezorgd over koers moederbedrijf.	Trouw	12-02-2019
6	Strijd binnen Air France KLM wordt nu ook politiek.	Trouw	16-02-2019
7	KLM is 100, maar feestelijk is het niet.	NRC	16-02-2019
8	Oplossing nabij voor conflict Air France-KLM.	FD.nl	17-02-2019
9	Het spel van de knikkers	De Telegraaf	19-02-2019
10	De KLM-acties: blauw gevoel en zwaar geschut.	Trouw	19-02-2019
11	Air France and KLM end power struggle, agree to closer ties.	The Canadian Press	20-02-2019
12	Pieter Elbers: Terugkijken komt vast later nog wel.	Trouw	21-02-2019
13	Air France-KLM in de rode cijfers; Interne strijd over macht lijkt voorlopig geluwd.	Beleggers Belangen	22-02-2019
14	Kabinet bedient zich van powerplay bij Air France-KLM.	Fondsnieuws	26-02-2019
15	Air France-KLM dreigt onbestuurbaar te worden.	FD.nl	27-02-2019
16	Kabinet koopt invloed op beleid bij Air France-KLM.	Nederlands Dagblad	27-02-2019
17	Air France-KLM dreigt steun expansie Schiphol in te trekken.	FD.nl	27-02-2019
18	Toen viel het besluit: Nú kopen we ze.	De Volkskrant	28-02-2019

19	Hoekstra en Le Maire leggen conflict over Air France-KLM bij.	FD.nl	01-03-2019
20	Positie KLM-topman Elbers opnieuw onzeker door ruzie.	NRC	01-03-2019
21	Positie KLM-topman lijkt nu veilig.	NRC	01-03-2019
22	Air France-KLM: when cooperation becomes confrontation.	The Conversation	12-03-2019
23	Nederlandse financieel directeur voor Air France.	Het Financieel Dagblad	03-07-2019
24	Nederlander financiële baas bij Air France.	Noordhollands Dagblad.	03-07-2019
25	We hebben groei nodig om te vergroenen, zegt KLM-topman Elbers.	Trouw	20-07-2019
26	Groei KLM beknot door Ben Smith.	Haarlems Dagblad	06-11-2019
27	KLM topman: gelijk speelveld cruciaal.	De Telegraaf	13-11-2019
28	KLM-topman Elbers: 'Als Air France het huis op orde heeft, kunnen we leidend worden in Europa'.	FD.nl	30-01-2020
29	Eén jaar na coup Air France-KLM.	Nederlands Dagblad	03-03-2020
30	KLM reageert op speculaties: geen voorbereidingen op breuk met Air France.	De Volkskrant	05-04-2020
31	Miljarden staatssteun nodig om Air France-KLM te redden.	Nederlands Dagblad	10-04-2020
32	Bonusophef houdt redding op; Bonus van boord Topman Air France-KLM ziet af van bonus, maar overleg over steunpakket blijft complex; Bonus van boord Top Air France-KLM levert bonus in, overleg over steunpakket blijft complex.	NRC	24-04-2020
33	Graaiende Ben Smith hardleers.	De Telegraaf	24-04-2020

34	Miljardensteun kabinet voor KLM; Ook Frankrijk trekt de portemonnee voor Air France.	IJmuider Courant	25-04-2020
35	Staatssteun voor Air France-KLM: Nederland en Frankrijk doen het samen, maar ieder voor zich.	De Volkskrant	26-04-2020
36	Zelfs het bedrag is nog onbekend; Air France-KLM. Bij de redding geldt zowel voor Nederland als Frankrijk: eigen maatschappij eerst.	NRC	27-04-2020
37	Overheden, dies voor faillissement van Air France-KLM.	FD.nl	30-04-2020
38	De Kwestie: Moet KLM af van bond met Air France?	De Telegraaf	02-05-2020
39	Scheiding Air France KLM duur; Minister Hoekstra onderzoekt splitsing op last van Tweede Kamer.	De Telegraaf	09-06-2020
40	Waterhoofd Air France KLM weer groter.	De Telegraaf	19-06-2020
41	Harde garanties voor KLM; Air France KLM kan afspraken moeilijker opzeggen.	De Telegraaf	26-06-2020
42	Zitten de ministers vanaf nu bij KLM in de cockpit?; Staatssteun Kabinet krijgt stevige invloed op KLM in ruil voor miljarden.	NRC	27-06-2020
43	Echokamer KLM; Negatieve reacties op steunpakket tonen gebrek aan realiteitszin.	Elsevier Weekblad	04-07-2020
44	KLM door redding speelbal van politiek; Salarissen piloten nog in het vizier.	De Telegraaf	24-10-2020
45	Staatssteun voor KLM op de helling.	De Standaard	31-10-2020
46	Nieuwe steunronde voor KLM: fastern your seatbelts.	FD.nl	27-11-2020
47	Miljardensteun Air France-KLM loopt vertraging op.	FD.nl	17-01-2021
48	Nieuwe aandelen KLM uitgeven is optie.	De Telegraaf	18-01-2021

49	Ook Air France bevriest salarissen.	Dagblad van het Noorden.	04-02-2021
50	KLM nog aan het touwtrekken met Brussel.	De Telegraaf	26-03-2021
51	Akkoord over herfinanciering Air France.	De Telegraaf	04-04-2021
52	Waarom nieuwe ronde KLM-steun maar niet rondkomt.	Het Parool	06-04-2021
53	Weer steun voor Air France-KLM; Franse steun Air France. Het Nederlandse belang in Air France-KLM blijft gewaarborgd, verzekert minister Hoekstra.	NRC	07-04-2021
54	Nederland doet niet mee aan steun Air France-KLM.	AD/Utrechts Nieuwsblad	07-04-2021
55	Miljoenenbonus voor topman Air France-KLM ondanks zwaar verlies en miljardensteun.	De Volkskrant	09-04-2021
56	KLM-personeel wapent zich met oud topbestuurder hoogovens tegen banenverlies.	Haarlems Dagblad	24-04-2021