

Groups negotiation strategy essay

[Finance](#), [Investment](#)



INTRODUCTION

Greetings, representative of Datong Mining – we at Fernet Brio are extremely honored to have you here with us for this negotiation of the impending joint venture between our two companies. For the past fifteen years, Datong and Fernet Brio have enjoyed a long and fruitful partnership, one which both of our companies have profited from immensely. As such, we have developed a solid level of communication which we believe should allow us to come to an arrangement that benefits all involved.

In the interests of good faith, we as Fernet Brio would like to present to you a gift. It is our sincere hope that you enjoy this gift in the spirit with which it was given, and that it demonstrates our appreciation for Datong's friendship up to this point, and well into the future. With this in mind, let us proceed with these negotiations in a spirit of cooperation and mutual benefit.

The negotiation strategy of Fernet Brio is to allow for wiggle room on the smaller aspects of the negotiation (engineers, railway contribution, etc.) in order to stand our ground on the largest issue, the profit sharing between us and Datong Mining. There is some flexibility regarding tradeoffs for each section – for example, if Datong wants fewer mines closed, it will cost them in either fewer engineers trained or less of a contribution by Fernet Brio on the railway.

We will stress the important nature of the safe mining work – how important it is for Datong Mining to find a safe way to mine, lest it come under fire from the federal government, who wants to shut them down. We are their best

hope for continuing their mining business in such a large, prosperous country as China, meaning that should be willing to budge in order to benefit from technology that keeps them going.

When challenged on the demands we are making, we will emphasize the hard work we went through to develop this technology, and our need for a significant return on investment from it, given that this is an entirely new technology, and they will not get anything like it from any other company. If Datong wants to have safe mining technology in China (which may or may not determine the future of the business), they have to go through us.

PLAN BEFORE FINAL NEGOTIATION

Before the final negotiation, there are a few things that have to be determined. First, we must figure out exactly what points Datong is not willing to budge on in the least, and focus the least on them. If they absolutely need 100 engineers, then it must come at the cost of either the railway or the workforce. If possible, get them to agree to the maximum we want (either no money invested or 40 mines closed), but for the most part give them the second highest point value, as it will seem a measure of good faith, and we will appear generous.

Our biggest priority is to maintain the 65/35 profit share, as that represents the biggest point increase. It must not be relented upon, even if it means capitulating even slightly more on any of the other points. With luck and reiteration of incentives for Fernet Brio to have a higher financial investment, stressing the money already poured into the safe mining technology, only one of the smaller points will need to be capitulated upon. Make it seem as

though the offers we are providing for the railway/engineers/mines are generous compared to what we have already spent on the technology; if Datong gives you leeway on any of these points without asking for more, take it.

NEGOTIATION AGENDA

Our agenda is as follows:

First priority: maintain 65/35 profit sharing for Fernet Brio at all costs

Strive for second point level on other axes; allow for capitulation on one axis only if you can tighten/gain more points on another axis

Allow for Datong capitulating more than expected, increasing point value on other three axes

Stress significant investment made by Fernet on production/development of the safe mining process as justification for higher profit/less financial investment on project

Also stress the high level at which Datong needs a safe mining technology in order to potentially continue business in China

Long-standing working relationship with Datong calls for level of trust and an incentive to not let negotiations fall apart

CONTRACT (Terms of Joint Venture Between Datong Mining and Fernet Brio)

This agreement is made this (DAY) of (MONTH), 2011, between and among Datong Mining, and Fernet Brio.

As per the terms of the negotiation between Datong Mining and Fernet Brio regarding the joint venture project of the application of large-scale surface coal mines in coal fields in China, the following terms will be agreed upon in order to execute this joint venture:

Profits of the coal mining operation will be shared between Fernet Brio and Datong Mining, Fernet Brio receiving (65%/60%/55%/50%) and Datong receiving (35%/40%/45%/50%).

As per the terms of the agreement with the Chinese federal government Fernet Brio will contribute (15/10/5/0) million AUD to financing the upgrade of the existing coal railway to facilitate faster transportation of coal from the mines.

Fernet Brio will train (20/75/100/150) Chinese engineers to effectively use the safe mining technology in this new surface coal mine.

With the signing of this agreement, both parties are obligated to follow the conditions detailed above as conditions for the creation of this Joint Venture