

Wal-mart negotiations with talley flashcard



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Alas, in this day in age negotiators are finding themselves too busy to devote the necessary time to ensure proper preparation of the basics causing results to occur more so by chance rather than negotiator effort (Lewicki, 85). Fortunately, for Frey Farms they have an outstanding negotiator in Sarah Talley. Frey Farms faces a major issue in being such a small company attempting to compete with such big players like Wal-Mart and its contingent co-managed mega stores. That is why it is so important that Sarah incorporates an intelligent strategy, takes the time to do her homework on Wal-Mart, and devises an effective plan for the negotiation.

Negotiation Strategy and Planning Sarah Talley is faced with convincing one of America's biggest corporations to conduct business with a small, local business while competing against other "mega-store" competitors. Sarah knew what she wanted, she wanted her company to expand its business, serving more customers and gaining more profit. Sarah had successfully established a goal, which is the "first step in developing and executing a negotiation strategy" (Lewicki, 86). Sarah knew that her company was less strategically positioned than its competitors in terms of product differentiation and available resources.

Sarah states that "As a young company, what Frey had to offer really wasn't a whole of different than [her] competitors." She also mentions that as a 19 year old CEO, she was afraid of how Wal-Mart might view her company's leadership. Nevertheless, Sarah had the knowhow to establish "the pattern or plan that integrates an organization's major targets, policies and action sequences into a cohesive whole" (Lewicki, 88), also known as strategy. A successful strategy used by Sarah was to ensure Frey Farms understood

Wal-Mart's culture, emphasizing Every Day Low Pricing as the syntax of her negotiation approach.

Lewicki states that " If negotiators have not done their homework, they may not understand the strengths and weaknesses in the other party's arguments" (85). Sarah understood that her company could save a significant amount of money by using school buses to transport produce instead of tractor trailers. Implementing this source of transportation, Frey Farms was able to offer lower prices than its competitors to Wal-Mart and allow Wal-Mart to continue its promise of Every Day Low Prices. Structured and Creative Problem Solving

Another major issue faced by Frey Farms was their unsuccessful negotiation for a bid as a co-managed supplier. This loss forced Sarah's company to deal with Wal-Mart as a third party supplier, which cost Wal-Mart and Frey Farms more money. This went completely against Wal-Mart's culture and was strong negotiation point for Sarah to point out during the second negotiation for co-management. Sarah knew that Wal-Mart's mission was to offer the lowest price to their customers and the way they were conducting business was going against Wal-Mart's culture. Sarah brought up the issue in a Single Question Format.

The problem was that unnecessary expenses were being made and everyday low prices were not available to Wal-Mart's customers as promised. Sarah got together with one of Wal-Mart's regional buyers and solved the problem through model known as the standard agenda. E&W describe the 7 steps of " standard agenda" as task clarification: Everyday Low pricing, Problem

Identification: Spending extra money as a 3rd party supplier, Fact Finding: they were in-fact spending more money with Frey as a 3rd party supplier, Solution Suggestions: make Frey a co-managed supplier, Solution implementation: make Frey a co-managed supplier.

Not only did Sarah help Wal-Mart realize how they can save their customers more money but she also negotiated that her company become a co-managed supplier. Sarah's negotiation strategy would be defined by Lewicki as integrative negotiation, which contains many concepts such as focusing on commonalities, commitment to meeting the needs of all parties, and exchanging information and ideas (58). Throughout the negotiation both parties knew that they would both benefit by making Frey Farms a co-managed supplier, and so it was done.

Analysis In today's competitive and global economy it is critical to realize the importance of superior negotiation skills. Sarah Talley and Frey Farms showed superior negotiation, acknowledgement and leadership skills to ensure that her company would have a partnership relationship with Wal-Mart. The analysis will explain concepts and theories that Sarah Talley used in order to achieve a successful relationship while dealing with Wal-Mart's hardball tactics. Nature and Fundamentals of Negotiations

To best understand what negotiations are, we have to look at what fundamentals negotiations must possess in order to succeed and prosper with relationships that we work on creating. Sarah Talley was able to explain to Wal-Mart the benefits of having a partnership with Frey Farms, which led to the two parties becoming interdependent. Lewicki (2007) stated "

interdependent parties, however, are characterized by interlocking goals-the parties need each other in order to accomplish their objective” (p. 9).

Frey Farms was able to provide watermelons in the supply amount and cost amount that helped Wal-Mart maintain its everyday low prices (EDLP).

Mutual adjustment was something that had to be overcome through the use of dilemma of honesty and dilemma of trust. As Ulmas (2006) stated in her fifth principle of acknowledgement, “truthful, heartfelt and deserved acknowledgment always makes a difference, sometimes a profound one, in a person’s life and work”. Mrs. Ulmas’ fifth principle is one that Sarah Talley and Frey Farms believed in and acted accordingly when negotiating with Wal-Mart.

This allowed Sarah to be more open and think of solutions to the challenges that would be a part of the negotiations and the ability to meet the goals and objectives of Wal-Mart. Sarah had to think “outside the box” when speaking about Wal-Mart’s idea of moving toward a co-management supply line, which would increase the costs of Frey Farms. Sarah Talley trust in Wal-Mart was critical for her to make the decisions she was required to make, such as find other ways to obtain the large amount of supplies and ways to keep the costs low for Wal-Mart to stay interested.

A great way to see the concern for each other’s business and success would be to look at the dual concerns model that Lewicki speaks about. After reading the case study I would have to say that Frey Farms and Wal-Mart are in the upper right quadrant, which would be focused on problem solving as a way to manage conflict and differences. “In problem solving, the two parties

actively pursue approaches to maximize their joint outcome from the conflict” (Lewicki, p. 23). This was noticeable when Sarah obtained buses to keep the costs low and joined the co-managed supply system to ensure the amount of watermelons could be delivered to Wal-Mart.

The important aspect of these negotiations is realizing each party’s conflict style to ensure that they know how to respond to each other and maintain the “ win-win” relationship. Sarah’s obliging style was very helpful, since she was able to give up something (quick profit) for the outlook of greater gain. She knows she is the smaller party amongst the two and she needs to be accommodating to some of the demands or requests that Wal-Mart would have. This helped her preserve the relationship and succeed in the long run.

Tactics and Strategies of distributive Bargaining

Strategies and tactics are very important when parties want to ensure they will have a “ win-win” relationship. Wal-Mart was a company that is considered to use hardball tactics for the fact that they can. They are a large business and know that suppliers want to be a part of their industry plan. Sarah Talley noticed this approach early in the negotiation process and was able to professionally and strategically respond to it in a way that did not hinder the relationship between Frey Farms and Wal - Mart. The specific hardball tactic that Wal-Mart used was intimidation.

Sarah responded to Wal-Mart’s tactics by discussing the options and she responded in a kind manner, which was viewed and accepted in a positive fashion. Strategies and Tactics on Integrative Negotiations An integrative negotiation approach is one that is most beneficial to both parties. “ The

fundamental structure of an integrative negotiation situation is such that it allows both sides to achieve their objectives” (Lewicki, p. 58). The openness of Sarah Talley helped the negotiations between Wal-Mart and Frey Farms to reach the mid-point of the Pareto efficient frontier.

This showed that both the buyer and the seller have met at a point where they created value for each other. This is essential for the “ win-win” relationship to succeed. To also support the integrative negotiations Wal-Mart and Frey Farms had to look at ways to support the demand for watermelons. This was a limited resource that could not be supported if Wal-Mart did not push for a co-management supply line system and Frey Farms would not benefit financially from the demand required if they did not join the co-management supply team.

This agreement was only able to occur with both parties acknowledging the desires each has along with the motivation and commitment along with open mindedness to make certain that the “ win-win” relationship will occur and prosper into the future. The greatest benefit that Sarah Talley has is that she is a very strong and successful leader. According to Goleman (2000), Sarah Talley is a combination of authoritative, affiliative, and democratic leader that shows her colleagues and partners the ability to mobilize people toward a vision, create emotional bonds and harmony, and build consensus through participation (p. 0). Having the combination of multiple leadership styles is a sign of a very dynamic leader who has a great sense of Emotional Intelligence, which portrays great leads to the superior negotiating skills and success in the actions that she is a part of. Negotiation Stages and Phases

Since the complexity of negotiations is so great, it is essential for the parties to have steps in place to make sure that the success will follow.

Sarah did a great showing of this when she prepared for the meetings with Wal-Mart; she researched the culture of Wal-Mart, and knew what the mission/vision of Wal-Mart was ahead of time. Knowing these facts helped in the relationship building phase, bidding, closing the deal and implementation of the agreement. Once the information was gathered by Sarah she was able to create a plan. As the PMBOK states “ any and all of the organizations’ enterprise environmental factors and systems that surround and influence the project success must be considered” (p. 83).

Sarah did a great job and looking into Wal-Marts’ culture and structure, she had an understanding about the regulatory rules of the business, the infrastructure that was present and needed based on Wal-Marts’ requirements, the existing human resources, and marketplace conditions (i. e. where the melons were located at a particular time of the growing season and weather issues). Recommendations In the course of the negotiations between Frey Farms and Wal-Mart, the two parties engage in situational group dynamics, conflict resolution situations and mutual alignment of company goals.

Below I highlight a list of potential recommendations to ameliorate some of the difficulties encountered through these negotiations: Recommendation #1: Understanding the flow of negotiations: Stages and Phases A great deal of research on business practices has focused on the typical steps or flow of negotiation process in order to ensure the desired outcome but also to

understand why planning is so important. A stage model of negotiation that involves several major steps (Lewicki, p93): Preparation - any party entering into a negotiation process must decide pfront what is important - defining the goals, thinking ahead on how to work together with the other party. In the negotiations of Sarah Talley and Frey Farms with Wal-Mart, the realization of the importance of "preparation" came early in the process. Sarah was very cognizant of the business values and guiding principles of Wal-Mart Executives. She understood that the bottom line with Wal-Mart was to maintain low costs but also that good moral was a core foundation of the company. Sarah also shared their philosophy of integrity, loyalty and support for the suppliers.

Early in the Frey Farms and Wal-Mart negotiations, Sarah could have insisted that all of Frey Farms managers familiarize themselves with the Wal-Mart culture and what was important to the company. The negotiation on the cost of watermelons for the 4th of July highlights that the vice-president of sales at Frey Farms was unsuccessful in negotiating with Wal-Mart because he simply engaged in multiple attempts focusing on the cost of the produce without emphasizing the cost benefits ratio for Wal-Mart. Relationship Building - This is a critical component of the stage model of negotiation.

Getting to know the other party and understanding what the parties have in common in term of business goals and common values are very important in achieving a win-win situation for both parties. Sarah Talley began to build a strong relationship with Wal-Mart very early when she approached the local district managers and offered to sell pumpkins to the local division one store. She also carefully developed a network of local growers that became strong

allies of Frey Farms Produce in the later stage of negotiations toward attaining the status of co-management with Wal-Mart.

Information Gathering and Information Using- Parties should enter into a negotiation process armed with comprehensive knowledge of not only the issues specific to the proposal, but with understanding of the philosophy and business practices of the individual companies. In addition, an appreciation of the feasibility of some possible settlements and a contingency plan to address a stale mate in the negotiations are also essential. The Frey Farms - Wal-Mart negotiations on the cost of watermelons for the 4th of July could have been more productive if careful information gathering and “ selling” Frey Farms’ preferred outcomes had been ore effective by Frey sales managers. Bidding, Closing the Deal, and Implementing the agreement - The bidding process involves making some moves from the initial ideal outcome toward a middle ground for the actual outcome. Once this is achieved, both parties in the negotiation must feel comfortable with that middle ground and design a plan of action to implement the agreement. The Frey Farms - Wal-Mart negotiations presented a successful demonstration of these three steps resulting in negotiating a difficult co-management supplier agreement and achievement of co-management status.

Recommendation # 2: Adopt some important tactics of distributive bargaining While some business pundits are critical of the strategies and tactics of distributive bargaining, Team EFP recognize and recommends that judicious use of some principles of distributive bargaining are desirable and helpful in managing distributive situations proactively, especially when negotiations are at the claiming stage (Lewicki p27). We highlight the <https://assignbuster.com/wal-mart-negotiations-with-talley-flashcard/>

following:

- Discovering the other party's resistance point - It is always advisable to enter a negotiation process in a position of strength and present clear arguments of value added to the other party.

Shrewd negotiators establish and communicate their starting points. They then need to quickly size up the other party target points and reach a final settlement as close as possible to the resistance point of the other party.

- Influencing others - In attempting to influence a party's resistance point, negotiators need to be mindful of: 1) the value the other party attaches to a particular outcome; 2) the cost the party attaches to delay and difficulty in negotiations; and 3) the cost the other party attaches to having the negotiations aborted.

Sarah Frey was successful in her negotiation for co-management with Wal-Mart, because she ensured that Wal-Mart was clear on Frey Farms' objectives, core values and the benefits that the partnership would bring to Wal-Mart.

- Hardball tactics - Team EFP is not recommending the use of hardball tactics but we want to emphasize that it is important to quickly recognize the use of such tactics. A Negotiators should understand that hardball tactics are designed to either enhance the appearance of the bargaining position of the person using the tactic or to detract from the appearance of the options available to the other party.

Frey Farms managers chose to "ignore" the hardball tactics of the Wal-Mart managers in their negotiations of the 4th of July price of watermelons. Moreover, Sarah Frey chose to fully "discuss" the tactics and to move the negotiations to a more productive stance by focusing on the substantive

issues on how Fey Farms could improve the bottom line for Wal-Mart produce supplies. Recommendation # 3: Develop conflict management strategies

When negotiations are at a standstill and tempers begin to flare, it is beneficial for both parties to put aside the substantive, affective and procedural issues relevant to the discussion and instead address the nature or causes of the conflict directly (Engleberg & Wynn p182). Team EFP highlights two strategies that would have improved negotiations for Frey Farms with Wal-Mart:

- The 4 R method which focuses on the following questions: reasons for the conflict; reaction of the parties to one another; potential results of the conflict on negotiation; and resolution techniques.

The AEIOU model which is a way to clearly communicate concerns and suggest alternative actions. This model involves five steps: assume that the other party means well; express your feelings; identify preferred outcomes; clarify expected outcomes; and understanding of a mutual agreement. Sarah Frey's decision to get involved with both the Frey team and the Wal-Mart team and engaged in conversations that focused on "partnership" and adherence to the "no muddle" rule fostered a productive work environment.

Recommendation # 4: Recognize the importance of development in Group Leadership