

# THE ECONOMIC PERFORMANCES GAINED THROUGH INTEGRATING THE ADAPTIVE ANTICIPATIONS WITHIN COMMERCIAL NEGOTIATION PROCESS

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## ABSTRACT

*Relational contexts of negotiation, have interrelated goals, that are based on the views of the negotiating partners themselves and on their endogenous and exogenous variables. It should be made, therefore, the ex ante and ex post analysis of the whole process of commercial negotiation, for dimensioning the company's economic performance. It is being recommended, a coherent analysis of the sensitive border between success and failure, within the present trade negotiations, that are taking place at a time when the demand / supply ratio is highly oscillating.*

*This paper brings to the fore the current financial and economic context marked by a profound global crisis, and its implications over the commercial negotiation processes, in a fierce competition and pressing survival needs of SMEs conditions. Moreover, it highlights the beneficial role of using basic tools based upon knowledge society development. In this regard, we propose the integration of adaptive expectations equations throughout the trade negotiation process development, focusing on the expectations 'correction' in relation to the failure of a previous trade negotiations.*

The detonator of the current financial crisis was breaking the famous "housing bubble", ie the speculative bubble in real estate sector of America. This bubble was fueled primarily, by the strongest credit boom in American history and which is explained through the entire post-war domestic development of U.S., that favored the increasing percent of the credit and debt call, the consumer society formation and the consumer spending transformation into the main engine of economic growth. He was fed, secondly, by the tectonic changes occurring in the world economy, doublet by the rise of emerging countries, which allowed both counter inflation and rising tide of oil prices and other energy resources, on the general foundation of globalization [1].

Therefore, the negative findings deepen, becoming more constrained by debt companies planning deeper cuts in technology spending, employment and capital spending. **Companies in the maximum limits of the financial threshold**, have attracted more and more the **fear of insolvency on credit lines**, the response from the banks being: **limiting access in the future**, their only remaining solution being selling more assets to finance their operations [2].

Therefore, in these conditions generated by the economic recession, the competition between companies, in various stages of commercial negotiation, representing the request or offer application, generating the relational contexts involves both costs and benefits [3]. In current conditions, success is guaranteed only under the full utilization of the strategies, techniques and tactics of trade negotiations, in line with the socio-cultural inter-human context. In the current context of economic crisis and the deepening global knowledge society, it is required raising the effective management of strategic information to the rank of primary objective.

In light of this understanding, commercial negotiation process is not making a discordant note, the profitable results being accessible only to partners that are projecting their plans negotiating in a coherent and concrete way, and which, through systematic ex-ante and ex-post analysis knowledge ensure the best alternatives to a compromise. Also, knowing that, there are differences between contradictory positions of the negotiators, is perfectly normal and virtually inevitable, any situation of this kind leads to the completion, in a shorter period, of the negotiation onto the defined object. These situations can lead to disruption (rupture) or continuation up to the completion of negotiation.

Both situations are presented in Fig. 1:

As shown in Fig. 1:

a) **The maximum break position of a negotiator** has a superior position to the other partner minimal disruption, ie  $PR > Pr$ , where the business (transaction) is possible. Differences between the opening positions can be overcome within the negotiation process because there is an overlap and compatibility between the positions of breakage.

b) **The maximum break position of a negotiator** has an inferior position to the other partner minimal disruption, ie  $PR < Pr$ , where the business (transaction) is (theoretically) impossible. This time, the differences between open positions will not be exceeded within the negotiation process because there is an irreducible difference (in theory) between the parties negotiating positions of breakage [4].

**Therefore, as we have said before, finding ourselves into a period of economic recession we need to empower the information as a strategic resource, within the negotiation process.** Continuing on this same line, simulating and knowing the possible guidelines of the negotiation, can lead to profitable results for the both parties.

**In the light of this sayings, we recommend the econometric analysis of the negotiating partners business conduct anticipation.**

Linked to the issue of the delayed effect (lag), but especially to the basic idea of adaptive models, is the construction of models that put into the spotlight: **ANTICIPATING economic and behavioral change** during the development process of commercial negotiations in correlation with it [5].

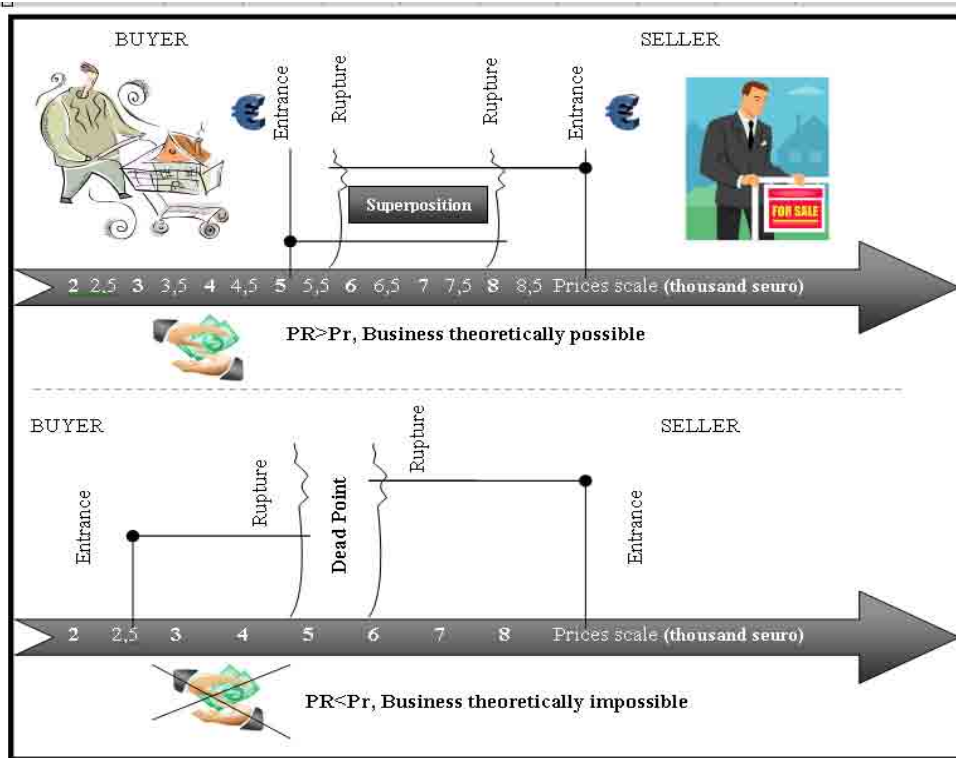


Figure 1 The positions of maximal and minimal break in a commercial negotiation

Expected values ( $X^0$ ) refer in particular to the future implementation of new policy measures, from which we have the economic resulting feedback which covers the attention of commercial negotiation business partners. Corresponding to the expected level (naive or sophisticated methods) considering the factor / factors that influence the commercial negotiation process, that the trader focuses on, it is considered that he is consequently changing its behavior.

For example, a situation expected to price effects can cause a number of enterprises need to increase supply (supplying in excess), to restrict production, sell the currency depreciation rate.

Adaptive models are mentioned in most software packages (for the particular economic forecast) labeled as "SMOOTH". They are also known as exponential smoothing models (Exponential Smoothing). In particular, representations are known as "Exponentially Weighted Moving Average - EWMA.

For econometrics, such behavior is important since it represents a manifestation of psychological factors, often a determinant for development of trade negotiations results in a free economy, into which the information has an undeniable role.

As a result, the econometric model, includes regressors and variable with anticipated values.

Considered assumptions relate mainly to issues such as: the role of experience as the errors committed in the past are able to determine which policy makers can influence the results of trade negotiations in the future, the role of information in order to anticipate developments of the results of trade negotiations is still increasingly recognized, both the experience of trade negotiations ("adventures" in the past) and grant access to the information entity that can be used in a rational way in order to increase their benefits.

Anticipations are characterized by calculations simplicity and an by the appropriate presumption acceptance that the future will exactly reproduce the present or the past. Therefore we symbolize with  $x_{t+1}^0$  the anticipation for the results of future trade negotiations [6].

$t + 1$ , it is considered that anticipation of the results can be obtained by simple calculations of trade negotiations based on the assumption of repeatability:

Among the calculation options we mention:

$$x_{t+1}^0 = x_t \Rightarrow \text{the level is maintained, (1)}$$

$$x_{t+1}^0 - x_t = x_t - x_{t-1} \Rightarrow x_{t+1}^0 = 2x_t - x_{t-1} \text{ or (2)}$$

$$\frac{x_{t+1}^0}{x_t} = \frac{x_t}{x_{t-1}} \Rightarrow x_{t+1}^0 = x_t \frac{x_t}{x_{t-1}} \Rightarrow \text{the modification is being repeated, (3)}$$

$$x_{t+1}^0 = x_{t-3} \bullet \frac{x_t}{x_{t-4}} \Rightarrow \text{quarterly seasonal fluctuation remains, (4)}$$

Adaptive expectations (progressive expectations, anticipations after learning from errors) have positive results for the process of commercial negotiation, and is characterized by how it is done the expectations „correction” in relation to the failure of previous commercial negotiations.

In conclusion, we can say that this economic and financial crisis has generated the current global imbalances, risks aggravating the optimal allocation of international capital and surpassed dynamic design methods to minimize inter-regional economic disparities [7].

In this context, the commercial negotiations, is elevated to another level, based on the pressing need to maintain SMEs in specialized markets. It is necessary to design a prototype system for local support negotiation, designed to help business partners to analyze the economic underpinnings of negotiation, and build an initial offer.

Results of a behavioral test of such a system, using techniques from experimental economics show that negotiators assisted by a support system for negotiating deals have gained better results for themselves.

**Furthermore, negotiation prototype system local support can be based on the internet and intranet system resource, and can be particularly significant for the e-negotiation rise [8].**

The use of software architectures in product development for business is a way of integration between business processes and specific engineering software to develop a system that would serve the corresponding segments of a business negotiation [9] in the prime objectives of gaining profit, ensure the loyalty partners and attracting new partners.

There are a growing number of theoretical and empirical evidence that support the award mechanisms promoting formal and informal devices aimed at efficiency and effectiveness achieved through the life of the contract, for example, coordination of ex ante and ex post commercial negotiation process [10]. Thus, it is necessary to design a matrix of objectives and sustainable use of all economic available instruments in order to achieve the overriding objectives.

In conclusion in order to optimize the process of conducting commercial negotiations between business partners, it is required the information capitalization, up to the mark, in the current period in which we have access to possible factorial variables future developments

Taking into account the perpetual development of human capital within this new economy we can say that **the use of new technologies is an evolutionary process, which allows improving business processes**, provided there is a primordial ongoing review of strategies, techniques and tools to companies who choose the path to this new economy [11].

The emergence of the knowledge based economy assumes the metamorphoses of human capital management control in view of increasing profitability of the commercial negotiation, throughout the efficient use of accessible information.

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