

Negotiated Demand Forecasts: Effects of Managerial Role, Agent Type and Social Value Orientation

Stefanie Protzner

Rotterdam School of Management, Erasmus University, Burgemeester Oudlaan 50, 3062 PA Rotterdam, The Netherlands, sprotzner@rsm.nl, Tel.: +31 10 408 2544

Joint work with Laurens Rook, Clint Pennings, Jan van Dalen

The lack of integration of sales and operations is an important shortcoming in judgmental forecasts, potentially undermining their accuracy. Using insights from research on negotiation and social dilemmas, we posit that departmental affiliation within a company shapes a forecaster's perception about forecast negotiations. Results of a negotiation experiment confirmed our prediction that the accuracy of demand forecasts is moderated by a forecaster's social value orientation – an individual disposition towards cooperation or conflict. We also show that social value orientation is related to the extent to which forecasters adjust their forecasts to their counterpart in this interdepartmental negotiation.

Accuracy in demand forecasts is of vital importance for organizational survival – that is, failing to achieve that may lead to inadequate capacity, excess inventory, poor customer service levels, and an overall mismatch between supply and demand that can affect a company's short- and long-term profitability (Hendricks & Singhal, 2009). At the same time, demand forecasting is, by nature, a complicated process – because it usually includes members from different departments such as marketing, sales, production and operations (Lawrence, O'Connor, & Edmundson, 2000). Clearly, the task of arriving at a consensus forecast within a company is highly challenging given the dispersed knowledge that may exist throughout the organization, and the diverging interests and incentives that shape organizational behavior. Interestingly, a vast behavioral research exists on negotiation and social dilemmas showing that people in general differ in their subjective perceptions of so-called negotiated outcome interdependence (Halevy & Katz, 2013), and in their individual sensitivities towards cooperation and conflict (Parks, Joireman, & Van Lange, 2013). The present research applied these insight to negotiated demand forecasts, and focused on the

extent to which departmental affiliation within a company shapes a forecaster's perceptions about negotiations in forecasting meeting, and in addition explored the related issue, if and to what extent the accuracy of demand forecasts is moderated by a forecaster's individual disposition towards cooperation and conflict.

References

Halevy, N., & Katz, J. J. (2013). Conflict templates: Thinking through interdependence.

Current Directions in Psychological Science, 22(3), 217-224.

Hendricks, K. B., & Singhal, V. R. (2009). Demand-supply mismatches and stock market reaction: Evidence from excess inventory announcements. *Manufacturing & Service Operations Management, 11*(3), 509-524.

Lawrence, M., O'Connor, M., & Edmundson, B. (2000). A field study of sales forecasting accuracy and processes. *European Journal of Operational Research, 122*(1), 151-160.

Parks, C. D., Joireman, J., & Van Lange, P. A. M. (2013). Cooperation, trust, and antagonism: How public goods are promoted. *Psychological Science in the Public Interest, 14*(3), 119-165.