Introduction

Strategic negotiation is crucial for the success of Devolved systems of governments. Several studies have been carried out on how strategic negotiation can positively impact on performance of an organization, for instance according to Mbogo et al. (2019) on effect of negotiation strategy on the performance of commercial banks concluded that at negotiation strategy had a significant and positive influence on performance of commercial banks therefore it’s of paramount importance that firms adopt the right negotiation strategy such as a collaborative approach which will result in win-win outcome from both parties, hence the overall improvement of performance in the organization.

Lysons and Farrington (2006) pointed out that negotiation helps an organization obtain a fair price for the specified quality of the item, agree on the delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms, agree on the liability for claims and damages, discuss incentives e.g. discounts, bonus clause, decide on the frequency of progress reports and agree on the common methods of inspection, time and place of inspection, nature and type of test certificates. Negotiations often result in concessions made by both buyer and supplier in achieving acceptable levels of price and quality and the reliable, timely delivery of the product or service (Golicic et al., 2008). The research was motivated by the fact that there is a problem in Devolved systems of governments, there is a clear indication that the Devolved systems of government do not engage in strategic negotiation with their supplier for instance a case of Kiambu county where the county government didn’t leverage on strategic negotiation practice, whereby the devolved system procured a pipette for artificial insemination that costs Sh30 at an inflated cost of Sh875 per piece (Odhiambo, 2015) this clearly shows that the county government never negotiated with the supplier. Equally, strategic negotiation often results in concessions made by both buyer and supplier in achieving acceptable levels of price and quality and the

* Corresponding author. ORCID ID: 0000-0002-3578-8649
© 2020 by the authors. Hosting by SSBFNET. Peer review under responsibility of Center for Strategic Studies in Business and Finance. https://doi.org/10.20525/ijrbs.v9i7.935
reliable, timely delivery of the product or service (Golicic et al., 2008). It is hence against this background this study is going to determine the influence of strategic negotiation on the performance of devolved systems of government in Kenya.

The general objective of the study was to establish the influence of strategic negotiation practice on performance of devolved systems of government in Kenya.

Hypothesis tested on the study was as follows;

H0: Strategic negotiation practice does not have a positive significance influence on performance devolve systems of government in Kenya.

The target population of the study was Devolved systems of governments in Kenya. Devolved government or devolution (also referred to as democratic decentralization) represents the transfer of power and resources to lower (sub-national) levels of government that are both (relatively) independent of national government and democratically elected. Beginning as early as Chapter Two in the 2010 constitution, “devolution and access to services” is delineated as the third of eight items defining The Republic of Kenya. In addition, Chapter Eleven of the 2010 constitution also spells out, in meticulous detail, the objects and principles of Devolved government; the nature of Devolved government (47 counties plus yet to be determined urban areas and cities); the functions and powers of these 47 county government; the boundaries of the counties; the relationships between and among county government and the national government; the rationale and manner of suspension of county government; and general issues including county assembly powers and gender balance and diversity.

Literature Review

Theoretical and Conceptual Framework

Game Theory

The study of how people make decisions is known as game theory (Shook et al., 2009) and it is a crucial tool to have in the modern business environment, especially when it comes to the art of negotiation. Shook et al. (2009) established that Game theory is the scientific modeling of interactions between different parties each pursuing their own interests. The parties interact and choose their action in view of what the other parties might think and do. Economists call this game theory and they think about such interaction as a ‘ply-by-ply’ game, where each player is trying to find an optimum strategy. The application of game theory in business is twofold i.e. winning the game or inventing the game. Game theory is behind the scenes in many familiar situations: for example, a poker game where the next call, raise or draw move is contingent on how the player expects opponents might respond. A buyer can structure an analogous situation by negotiating with two sellers independently. Assume they possess similar financial muscles and commensurate cost structures for commoditized item therefore lowest quoted price each seller will be likely to quote will be almost the same, at a lowest profit margin. If the bids are not converging, the buyer’s tactic is to continue the negotiation by revising the floor price progressively. If the bids do converge, this is a sign that the prisoner’s dilemma has played out. The bid pattern is important to buyer especially during price discovery in situations when price structures and supply market cases are fluid. Apply game theory in a real business set-up may not be simple, since it could encourage collusion between sellers with two equal bids. If they are part of a known cartel, game theory won’t apply since it works best in “oligopolistic” situations. One way to spot a possible cartel is to run a reverse auction in multiple rounds.

Singh et al. (2010) noted that more often than not, smart suppliers can see through the pattern of your negotiation; hence, manipulate their pricing structures accordingly. It’s important to change the negotiation script at each stage. Even an efficient sourcing operation can raise its game and achieve rapid payback using game theory. Buyers are encouraged to understand how to apply bidding matrices theory and spend profile per category. By learning these practices, buyers and sellers will find they can benefit in a wide range of negotiations. The application of game theory dramatically improves the outcome from all decision-making procurement scenarios including complex, cross-functional sourcing activities, annual price negotiations, make-or-buy decisions, or outsourcing projects (Mulama, 2012). This theory should guide County governments in negotiations skills with their suppliers.

Empirical Review

Strategic Negotiation Practice

Strategic negotiation is the process of planning, reviewing, analyzing and discussing the information between the buyer and the seller, to arrive at an acceptable agreement (Lysons & Farrington, 2006). Negotiation is the process by which two or more entities come together to discuss common and conflicting interests in order to reach an agreement of mutual benefit (Black, 2009). During negotiations the process involves balancing matters between two parties so that the negotiator not only get what he wants but also get what he wants in the best possible way (Forsyth, 2009). Thus, the Devolved County government should set clear objectives before going negotiating. There are various objectives of negotiation the County government need to be aware according to Lysons and Farrington (2006). Through negotiation the County government would obtain a fair price for the specified quality of the item, agree on the delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms, agree on the liability for claims and damages, discuss incentives e.g. discounts, bonus clause, decide on the frequency of progress reports and agree on the common methods of inspection, time and place of inspection, nature and type of test certificates.
Various empirical studies have been conducted on strategic negotiation practice and performance of organization. For instance according Lysons and Farrington (2006) they argued that negotiation helps an organization obtain a fair price for the specified quality of the item, agree on the delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms, agree on the liability for claims and damages, discuss incentives e.g. discounts, bonus clause, decide on the frequency of progress reports and agree on the common methods of inspection, time and place of inspection, nature and type of test certificates, hence this will result in less disputes, which will equally save on organizational costs associated with rejection of wrong items.

Negotiations often result in concessions made by both buyer and supplier in achieving acceptable levels of price and quality and the reliable, timely delivery of the product or service (Golicic et al., 2008). Atkin and Rinehart (2006) on effect of negotiation practices on the relationship between suppliers and customers the findings concluded that use of coercive techniques by negotiating parties when conducting negotiations resulted on negative satisfactions amongst parties. On the other hand, negotiators entering into the process collaboratively resulted in positive outcome on contract formalization. Ayantoyinbo and Oguntola (2018) noted that there is a positive relationship between effective negotiation and realization of procurement goals. Preparation prior to negotiation impact positively on the outcome, pre-knowledge of suppliers’ costs, delivery and delivery time makes negotiation effective. Ajike (2015) on effects of negotiation on sales performance of an organization found out that in sales management negotiation is a crucial element in resolving conflicts that might arise in case things are not clearly communicated to any stakeholder. The findings concluded that there is positive significant relationship between negotiations and sales performance, hence sales force should uphold negotiation in order to enhance performance. It’s therefore crucial for both the buyer and the seller to come into an agreement that will result in a win-win outcome. Organizations are thus advised to train their workforce with right negotiations skills and techniques so as to prepare them with job ahead with clients not forgetting that motivation in form of rewards and performance achievement is also important to encourage them to put an extra effort during the negotiation process.

According to Ramsay (2004) argued that negotiation is necessary when managing conflicts between the buyer and supplier in supply chain. Negotiation can therefore be categorized into two. One approach is collaborative approach to negotiation which usually result in win-win outcome, here the interest of both parties is put into consideration which therefore result on maximum cooperative value and benefit. Second approach to negotiation is competitive approach which focuses on win-lose outcome that is, one party wants to gain in the expense of the other. This approach involve use of threats, aggressive cost cuttings and ploys and tactics, lack of flexibility and enforced time pressures.

**Performance of devolved systems of government in Kenya**

Sound public procurement policies and practices are essential elements of good governance (Mwangi, 2006; World Bank, 2002). An ideal procurement system should always focus on effectiveness, where procuring entities should meet the commercial, regulatory and socio-economic goals of government in a manner that is appropriate to the procurement requirement. Wittig (1999) indicates that any improvements in the public procurement system can have a direct and beneficial effect on the overall economic situation of a country. A Purchasing Magazine survey of consultants revealed a number of objectives that firms pursue when employing procurement strategy. They included driving the lowest possible purchase price, identifying sources of high-quality products/services, simplifying the purchasing and supply management processes, and reducing transaction costs. In addition, a leading consulting firm reported that companies use strategies to reduce transaction costs, purchase price, purchase order processing cycle times, and to speed up the time-to-market cycles (Aberdeen Group, 2003). Thus, this study will adopt lowest purchase price, high quality products/services, simplified procurement processes, procurement order processing cycle times and reduction transaction costs to measure performance of counties.

**Research and Methodology**

The study adopted cross-sectional survey design using both quantitative and qualitative approaches. The target population for this study were 47 Devolved systems of government in Kenya. The sample size was 10 counties namely; Garissa, Kisii, Nyamira, Narok, Marsabit, Murang’a, Bomet, Nairobi, Kiambu and Homa Bay all employees working in finance and procurement departments in .the study used stratified random sampling to pick 186 respondents from finance and procurement department. Data was collected by using questionnaires Descriptive and inferential statistics was used aided by Statistical Packages for Social Sciences version 24 to compute percentages of respondents’ answers. Quantitative data was collected and analyzed by calculating response rate with descriptive statistics such as mean, median, standard deviation and proportions using Statistical Package for Social Sciences (SPSS) version 24 and Microsoft Excel. Inferential data analysis was carried out by the use of factor analysis and correlation analysis to determine the strength and the direction of the relationship between the dependent variable and the independent variables.

Regression models was fitted and hypothesis testing was carried using multiple regression analysis and standard F tests to enable all variables to be compared with each other simultaneously rather than individual.

**Findings and Discussion**

**Response rate**

A total of 160 self-administered questionnaires were filled out of 186 yielding a response rate of 86%. This response rate was good and representative and confirms to Mugenda (2008) stipulation that a response rate of 50% is adequate for analysis; a rate of 60% is
good and a response rate of 70% and over is excellent. This good response rate was attributed to the data collection procedure, where the researcher personally administered questionnaires to the respondents who filled them. The researcher collected the filled questionnaires later. This response rate demonstrated willingness to respond to study.

**Descriptive statistics**

The study sought to establish the influence of strategic Negotiation practice on performance of devolve system of government in Kenya. Likert scale Statement questions were set for which the responses are presented in the Table 1.

**Table 1: Results of Strategic Negotiation practice**

| Opinion Statements                                                                 | SD (%) | D (%) | N (%) | A (%) | SA (%) | Mean  | Std. Deviation |
|-----------------------------------------------------------------------------------|--------|-------|-------|-------|--------|-------|----------------|
| Enable to obtain a fair price for the specified quality of the item, delivery and payment terms | 1.3    | 2.5   | 5.0   | 56.9  | 34.4   | 4.21  | 0.753          |
| We work out the best alternative to a negotiation agreement before starting negotiation | 1.3    | 2.5   | 1.3   | 55.6  | 39.4   | 4.29  | 0.732          |
| We use both competitive and co-operative negotiation depending various circumstances | 3.8    | 1.3   | 12.5  | 49.4  | 33.1   | 4.07  | 0.919          |
| We consider multiple attributes when selecting negotiation approaches e.g capacity | 5.0    | 5.6   | 8.8   | 50.0  | 30.6   | 3.96  | 1.036          |
| Enable to decide on the frequency of progress reports                               | 0.0    | 3.8   | 11.3  | 51.9  | 33.1   | 4.14  | 0.759          |
| Enable to agree on the common methods of inspection, time and place of inspection, nature and type of test certificates | 5.0    | 1.3   | 3.8   | 46.3  | 43.8   | 4.23  | 0.964          |

**composite score** 4.15 0.861

From the results in Table 1, it was found out that majority of respondents with a mean of 4.21 rated that their Devolved systems of government strategically use negotiations to obtain fair prices for the specified quality of item, agree on delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms and many other reasons. This result is in agreement with Lysons and Farrington (2006) who pointed out that that main objectives of negotiation to an organization is to obtain a fair price for the specified quality of the item, agree on the delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms, agree on the liability for claims and damages, discuss incentives e.g. discounts, bonus clause, decide on the frequency of progress reports and agree on the common methods of inspection, time and place of inspection, nature and type of test certificates. Likewise, the study established that majority of respondents with a mean of 4.29 agreed that their Devolved systems of government have adopted the use the best alternative to a negotiation agreement before starting negotiation. This is because negotiations with suppliers are constantly changing which will create a sense of something always happening. This finding is in harmony with the study of Metty et al. (2005) who established that there are many factors that influence the negotiation flow. The most typical factors that affect how a negotiation will play out are time, environment, personalities, information, personal issues and hierarchy and thus it is important for procuring organizations to before negotiation, they should work out the best alternative to a negotiation agreement (BATNA).

In addition, concerning negotiation approaches, it was found out that majority of respondents with a mean of 4.07 agreed that their Devolved system government use both competitive and co-operative approaches when negotiating with suppliers. The choice of these approaches will depend on the circumstances. This finding agree with the study of Black & William (2009) who noted that a competitive negotiation is often associated with a cold atmosphere and both parties are doing everything to get the very best deal for themselves which usually means that the other party’s objectives do not come into the equation. The County government should use this approach when their interests and the other party’s clearly conflicted, when the other party insists on taking a win-lose approach, when the County government do not need a long-term harmonious relationship, when County government is powerful enough to prevail and when short-term goals are more important. Also, in co-operative negotiation conflict is minimized and the whole idea is to reach a solution where everyone benefits (Black & Wiliam, 2009). This approach usually produces the best results mainly because there is much better communication between the parties.

Further, the respondents with a mean of 3.96 agreed that their Devolved systems of government consider a number of multiple attributes when selecting negotiation approaches and capabilities of suppliers. This study is in harmony with the study of (Bui et al., 2001) who found out that negotiation approaches should consider multiple attributes and be capable of optimizing both buyer and supplier interests. Also, a study by Warkentin et al. (2001) emphasized that there is need for structured negotiations in business-to-business (B2B) exchanges and has suggested that digital transactions must support negotiations between buyers and suppliers. In addition, an important step in the negotiation process is in performing scenario planning (Metty et al., 2005).
Lastly the study found out that Devolved systems of government in Kenya conduct negotiations with suppliers on common methods of inspection, time and place of inspection, nature and type of test certificates.

**Test of Hypothesis**

The researcher conducted regression analysis so as to establish the influence of strategic negotiation practice on performance of Devolved systems of government in Kenya. The hypothesis tested was:

\[ H_0: \text{Strategic negotiation practice does not have a positive significance influence on performance devolve system of government in Kenya.} \]

The standardized regression coefficient for Strategic negotiation practice was 0.675. This indicates that a unit increase in the Strategic negotiation practice would result in 67.5% increase in the performance Devolved systems of government in Kenya. The result is shown in Table 2 below therefore, strategic negotiation practice has a positive influence on performance of devolved systems of government.

**Table 2: Model Summary of Strategic Negotiation practice**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|---|----------|-------------------|---------------------------|
| 1     | .675\(^a\) | .456 | .452 | .48691 |

\( a. \) Predictors: (Constant), Strategic Negotiation practice

Further test on ANOVA shows that the significance of the F-statistic (F=132.311, p<0.05), as indicated in Table 3 below. This implies that there is a positive significant relationship between strategic negotiation practice and performance of Devolved systems of government. Therefore, strategic negotiation improves performance of devolved systems of government in Kenya, therefore managers in devolved systems should ensure that they engage on strategic negotiation with suppliers. The findings of this study are in agreement with Atkin and Rinehart (2006) who argued that integrated negotiation approach resulted in less coercion therefore resulting in high level of satisfaction with the relationship formed which impacted positively on the contract formality.

**Table 3: ANOVA\(^a\) of Strategic Negotiation Practice**

| Model | Sum of Squares | df | Mean Square | F       | Sig. |
|-------|----------------|----|-------------|---------|------|
| 1 Regression | 31.369 | 1 | 31.369 | 132.311 | .000\(^b\) |
| Residual | 37.459 | 158 | .237 |        |     |
| Total | 68.828 | 159 | | |     |

\( a. \) Dependent Variable: performance of Devolved systems of government  
\( b. \) Predictors: (Constant), Strategic Negotiation practice

Further test on The t-statistic for the regression coefficient for strategic negotiation was significant at 5% level of significance (T=11.503, p<0.05) implying rejection of null hypothesis. On the basis of these statistics, the study concludes that there is significant positive relationship between strategic negotiation and performance of devolved systems of government in Kenya.

**Table 4: Coefficients\(^a\) of Strategic Negotiation Practice**

| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
|-------|-----------------------------|---------------------------|---|------|
| (Constant) | 1.145 | .119 | 9.626 | .000 |
| Strategic Negotiation practice | .407 | .035 | .675 | 11.503 | .000 |

\( a. \) Dependent Variable: performance of Devolved systems of government

**Conclusions**

In conclusion strategic negotiation practice has a moderate positive correlation with performance of Devolved systems of government in Kenya using Pearson correlation coefficient. The study found out that if the management could adopt strategic negotiation practice, it could increase performance of devolved systems of government. The study concludes that Devolved systems of government strategically have adopted the use negotiations for various reasons such as to obtain fair prices for the specified quality of item, agree
on delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms and many other reasons. It was also concluded that majority of Devolved systems of government have adopted best alternative to a negation agreement before starting actual negotiation because negotiations with suppliers constantly keeps changing depending on certain circumstances. Although some devolved systems didn’t leverage on collaborative negotiation strategies, therefore future researchers can focus on how collaborative negotiation can have an implication on firms’ performance.

The study recommends that Devolved systems of government should strategically adopt the best negotiations strategies for various reasons such as to obtain fair prices for the specified quality of item, agree on delivery period, decide on the packaging, packing and method of transportation, agree on the payment terms and many other reasons. Although it was adopted by many Devolved systems of government but there are some Devolved systems of government which have not fully embrace best negotiations strategies because negotiations with suppliers constantly keeps changing depending on certain circumstances. Likewise, the study recommends that Devolved systems of government should adopt the use of both competitive and co-operative approaches when negotiating with suppliers. The choice of these approaches should depend on the circumstances such as a number of multiple attributes when selecting negotiation approaches and capabilities of suppliers.

References

Aberdeen Group. (2003). Aberdeen Group: The services supply chain automation benchmark report. Strategies for a buckshot market. Boston.

Ajike, E. (2015). The Effect of Negotiation on Sales Performance in an Organization. International Journal of Strategic Research in Education, Technology and Management, 21(1), (2467-731X).

Atkin, T. S., & Rinehart, L. M. (2006). The effect of negotiation practices on the relationship between suppliers and customers. Negotiation Journal, 22(1), 47-65. https://doi.org/10.1111/j.1571-9979.2006.00085.x

Ayantoyinbo, B. B., & Oguntola, B. B. (2018). A Study of Impact of Effective Negotiation in Realization of Procurement Goals in Redeemer’s University. International Journal of Engineering Technologies and Management Research, 5(7), 65-77. https://doi.org/10.29121/ijetmr.v5.i7.2018.260

Black, P., & Wiliam, D. (2009). Developing the theory of formative assessment. Educational Assessment, Evaluation and Accountability (formerly: Journal of Personnel Evaluation in Education), 21(1), 5. DOI: 10.1007/s11092-008-9068-5

Bui, T., Yen, J., Hu, J., & Sankaran, S. (2001). A multi-attribute negotiation support system with market signaling for electronic markets. Group Decision and Negotiation, 10(6), 515-537. DOI: 10.1023/A:1012441210338

Deutsche Bank, IUCN, LEAD, World Bank Institute, WBCSD 2002. Investing for Sustainable Development: Getting the Conditions Right. New York. IUCN, LEAD, World Bank Institute, WBCSD

Forbys, P. (2009). Negotiation skills for rookies. LID Publ.

Golicic, S. L., Talluri, S., Vickery, S. K., & Narayanan, S. (2008). Optimization models for buyer-supplier negotiations. International Journal of Physical Distribution & Logistics Management.

Lysons, K., & Farrington, B. (2006). Purchasing and supply chain management. Pearson Education.

Mbogo, D., Wario, G., & Mike, A. I. (2019). Effect Of Negotiation Strategy on the Performance of Commercial Banks in Kenya. European Journal of Business, Economics and Accountancy (2056-6018), 7(3).

Metty, T., Harlan, S., Samelson, Q., Moore, T., Morris, T., Sorensen, R., & Potts, K. (2005). Reinventing the supplier negotiation process at Motorola. Interfaces, 35(1), 7-23.

Mugenda, A. G. (2008). Social science research: Theory and principles. Nairobi: Applied

Mulama, O. A. (2012). Challenges of business outsourcing at the Kenya Power. Unpublished MBA Project.

Mwangi, M. (2006). Highlights of the Public Procurement and Disposal Act, 2005 and the Draft Regulations 2006. Nairobi: KIPPRA.

Odhiambo, A. (2015). Controller of budget report.

Ramsay, J. (2004). Serendipity and the realpolitik of negotiations in supply chains. Supply Chain Management: An International Journal https://doi.org/10.1108/S1359854010544917

Singh, R. K., Kumar, P., & Gupta, V. (2010). Fuzzy statistical approach for vendor selection in supply chain. International Journal of Logistics Systems and Management, 7(3), 286-301.

Shook, C. L., Adams, G. L., Ketchen, D. J., & Craighead, C. W. (2009). Towards a “theoretical toolbox” for strategic sourcing. Supply chain management: an international journal, 4(1), 3-10,https://doi.org/10.1108/13598540910927250

Warkentin, M., Barra, R., & Sugumaran, V. (2001). E-knowledge networks for inter-organizational collaborative e-business. Logistics Information Management.

Wittig, W. (1999). Building value through public procurement: a focus on Africa. International Trade Centre.