Effects of Negotiation Planning on Procurement Efficiency: A Case the Ministry of Finance and Planning

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Abstract
Planning for negotiation is an important aspect in public procurement as it leads to efficiency and accountability in government spendings towards service delivery. This work explored the effect of negotiation planning on procurement efficiency in the Ministry of Finance and Planning. The study used cross section research design whereby both quantitative and qualitative research approaches were adopted. The work involved a sample of 80 respondents. The findings revealed that, negotiation planning is positively related with procurement efficiency.

Key word; Negotiation, planning, procurement, efficiency

Introduction
Negotiation Planning is important in purchasing contract management because it leads to the procurement efficiency. Organizations can improve procurement efficiency through enhancing planning initiatives in obtaining requirement. In doing that, staffing of well-trained officials on difference negotiation tactics is among prerequisites for success. However, majority of strategies used in negotiation tend to base on intuition, emotion, and or reliance on past positive experience (Baker and McKenzie, 2017).

The environments surrounding procurement managers across industries and public services are quite important. For the understanding the existing challenges facing negotiation planning process, businesses need to take care of their costs of production while public services need to
manage tight budgets. This is aggravated by difficult economic conditions such as the one that has been caused by COVID-19 pandemic (Agua, Correia & Frias, 2022).

In Tanzania, negotiation planning is an aspect that is not seriously taken by many organizations. The available evidence indicates that instead of negotiation planning, some organizations do conduct post qualification especially in huge projects to determine whether tenderers have the legal capacities and capabilities to carry out the intended contracts. Such tendencies of undermining the essence of negotiation planning is associated with inefficiencies that undermine welfare of the respective institutions.

On the practical side, the findings revealed by the conducted procurement audit exercises suggest that negotiation planning are not regarded as of higher importance. Among examples, is the reported audit finding which indicated that the Ministry of Finance and Planning is lacking enough human and financial resources for effective and efficient negotiation planning practices which resulted to the delay and ultimate termination of contracts worth Shs. 2.1 billion and Shs. 421 million respectively (PPRA Audit Report, 2019/20).

This study focuses on the public sector of Tanzania, primarily as a case study, to provide some insights of the effects of negotiation planning on procurement efficiency. The paper is divided into six sections, which sequentially start with an introduction, followed by sections presenting the literature review, methodology, analysis, discussion and conclusion.

**Empirical Literature Review**

Negotiation among other relevant tools in sourcing selection function that procurement employ in making an organization to actualize their goals to arrive at a most judgment on which suppliers are to be selected. Negotiation usually requires negotiation with the suppliers in order to arrive at a common understanding on essence of a purchasing price. In order to determine purchase price buyers and supplier usually discuss element such as cost of production and market conditions. Negotiation as a tool for effective material pricing can be deployed to determine the right price of goods and service to be procured. Mochoge, (2017); John and Rose, (2021); Andrea, (2019) in their study focused on effects of negotiation strategies on effective material pricing in retail outlets, effect of contract negotiation on performance of Non-Governmental
Organizations and role of negotiation skills in purchasing contract management in the public sector respectively. None of them has tried to link negotiation planning with procurement efficiency. Proper planning before negotiation is very high fundamental and essential for any successful negotiation as it helps to acquire information concerning the aspect of procurement such as delivery time, quality of suppliers, fair and reasonable price for the service required.

Negotiation skills are important part of doing business, in today’s hyper-connected and increasingly competitive market, the ability to negotiate effectively is more highly valued. Strategic and technical skills is needed to identify, source and buy goods and services that requires professionals involved in negotiation to know how to build and manage long-term relationships and maximize value for their organization through effective negotiation. The study conducted by Andrea (2019) illustrated the role of negotiation skills in purchasing contract management in the public sector in Tanzania. The study found that, negotiations contribute significantly to business success. It has been observed that the most commonly used negotiation techniques are only distributive and integrative in nature. Moreover, Ayantoyinbo and Oguntola (2018) established that appropriate negotiation is a procurement technique which is strong and has an important outcome in procurement goals realization. The study further emphasized on the need for staff training, particularly in negotiations skills in order to achieve win-win negotiated agreements.

Negotiation as one of the most important aspect of procurement that has a positive and significant effect on the performance of the Organizations. Negotiation allows both parties to agree upon expected performance level through clear, well-laid-out service level agreements and key performance indicators. Negotiating terms and conditions helps mitigate future issues with project scope, timing, delivery and payment. This statement is supported by the study conducted by John and Rose (2021) which focused on effect of contract negotiation on performance of international Non-Governmental Organizations (INGOS) In Nairobi City County, Kenya. Also, the study conducted by Baker and McKenzie (2017) established that contract negotiation in public institution had a significant impact on an organization's performance. The study concluded that mandatory contract provisions must adhered in all government procurement contracts. Organizations are advised to ensure that negotiation forms a sustainable part of the
procurement process with a measure of responsibility that ensures achievement of organization’s goals of improved quality goods and service delivery.

**Negotiation Theory**

Several authors have provided their views on contribution of negotiation theory for effective procurement process. For instance, Lewicki et al. (2003) argue that integrative approaches in negotiation theory are critical for creating conditions of mutual gain, and emphasize the importance of information exchange between buyers and suppliers, Integrative strategies require participants to collaborate to create win-win solutions because integrative approaches emphasize problem solving, cooperation, joint decision making, and mutual gains. On other hand Wondwosen, (2006) state that, in practice, negotiation theory assists procurement experts in thinking analytically about negotiation processes during procurement planning and implementation The information they provide can help us shape how we negotiate and, as a result, influence procurement efficiency. The theory is also applicable because, in order to achieve procurement efficiency, it is critical to focus on interests, anticipate and address sources of bias, and finally reach agreement within and across parties.

**Research Methodology**

The study was conducted using a cross-sectional research design. On the other hand purposive sampling technique was used to select Heads of Departments since they have no equal chance to be selected, therefore the study relied on its own judgment of possession of managerial and specialized information on negotiation strategies and procurement efficiency by virtue of the position held. The distribution of the selected sample from Ministry’s division selected is presented in Table 1. Under probability sampling procedure, the sample was selected from a population, based on the principle of randomization, that is, random selection or chance as shown hereunder: -
Table 1: Proportional Sample Size Determination

<table>
<thead>
<tr>
<th>Departments/unit</th>
<th>Population</th>
<th>Proportionate Sample</th>
<th>Sample size per Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Management Unit</td>
<td>20</td>
<td>20/111 ×80</td>
<td>14</td>
</tr>
<tr>
<td>Legal Services Division</td>
<td>6</td>
<td>6/111 ×80</td>
<td>4</td>
</tr>
<tr>
<td>HoDs</td>
<td>10</td>
<td>10/111 ×80</td>
<td>7</td>
</tr>
<tr>
<td>ICT Unit &amp; Financial Information Systems Division</td>
<td>30</td>
<td>30/111x80</td>
<td></td>
</tr>
<tr>
<td>Policy Analysis, Government Budget &amp; Planning Division</td>
<td>25</td>
<td>25/111x80</td>
<td>19</td>
</tr>
<tr>
<td>Accounts and Finance</td>
<td>20</td>
<td>20/111 x 80</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>111</td>
<td>80</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2022

Data Analysis Technique

Through triangulation, this work employed both qualitative and quantitative means of analyzing data. Descriptive measures such as of central tendency, arithmetic mean, frequencies, percentages, and the standard deviation were employed. Likewise, inferential statistics used to draw conclusions. In the same way, correlation analysis was applied to test the significance of relationships between independent and dependent variables.
Results and Discussion
Impact of negotiation planning on procurement efficiency

Planning is one of the foremost vital angles of a transaction assembly (Atkin and Rinehart, 2016). Destitute arranging can result in permitting the other party to deliver less concession than you were initially considering, which may result in increment of company consumption. The more time you commit to planning and arranging for arrangement assembly, the way better is your last result, the impact of negotiation plan has been depicted under the discussion bellow;

Table 1: Impact of negotiation planning on procurement efficiency
Source: Researcher, 2022

Understanding negotiation context and Procurement efficient
Findings in Table 1 above revealed that 53.8% of the respondents were strongly agreed that understanding of the context has got impact on the procurement to be efficiency and effective. While 46.3% of the remaining Planning on procurement is very important hence Failure to plan properly often leads to unclear objectives for the negotiation, the use of inappropriate negotiating styles or tactics and a sense that a better result could have been achieved.

Kiswili et al., (2015) reported that negotiation always takes place within a context. There important issues to be considered in understanding the context of a negotiation include: the nature of the procurement you are making in terms of its level of risk, the level of expenditure

<table>
<thead>
<tr>
<th>Statements</th>
<th>Strong agree</th>
<th>agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strong Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Understanding the context</td>
<td>53.8%(43)</td>
<td>46.3%(37)</td>
<td>0(0)</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td>Knowing what need to be achieved</td>
<td>28.8%(23)</td>
<td>71.3%(57)</td>
<td>0(0)</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
<tr>
<td>The negotiation team</td>
<td>40% (32)</td>
<td>60(48)</td>
<td>0(0)</td>
<td>0(0)</td>
<td>0(0)</td>
</tr>
</tbody>
</table>
and the complexity of the good or service that is being procured, nature of the supply market - fully competitive, dominated by a few larger suppliers, unsophisticated suppliers, maintain a long-term relationship with this supplier and community sensitivities (Mwitango, 2019).

** Awareness of the need under negotiation and Procurement Performance**

From the study findings revealed 71.3% and 28.8% of the respondents agreed and strongly agreed respectively. This means that knowing the needs to be achieved among negotiators has got impact of the procurement hence it reduces the expenditure. Prado argued that once the context for the procurement negotiation is understood, standard techniques can be applied to planning the negotiation. Knowing what to attain within the transaction is essential and this information is accommodating in choosing the foremost fitting approach to be utilized for the transaction. This study concurs with that of John and Rose (2021) who argued that determination and understanding of the need is the best way to win the negotiation ground Therefore, it is necessary to understand the broad goals or desired outcomes of the procurement. When this higher level direction is clearly caught on, it is conceivable to choose on steady objective for the negotiation.

**Arrangement negotiation team and Procurement efficiency**

Furthermore, this study's findings show that 60% and 40% of respondents agreed and strongly agreed, respectively. The negotiation team wields considerable power in negotiations during procurement processes. Normally, a negotiation team must include a variety of professionals with varying skills and knowledge. According to the findings of this study, a strong team is required for effective and efficient procurement. According (Stelzer Cand, 2017; Kiswili et al., 2015) argued that a team of negotiators might be appropriate for large purchases. A leader must be chosen, and the roles of members must be defined and clarified. These negotiators must be properly trained and skilled. As a result, it is advised that negotiators spend time rehearsing and role-playing the likely options.

**Inferential Statistics Results**

**Table 2: Correlation analysis of negotiation planning and procurement efficiency**
The study also employed Pearson correlation coefficient (r) to establish the relationship between negotiation planning and procurement efficiency. The findings of the analysis are presented in Table 3. The findings revealed that there is strongly significant relationship between the negotiation planning and procurement efficiency (p-value < 0.05). This implies that any positive improvement of negotiation planning could increase procurement efficiency in the Ministry of Finance and Planning.

**Conclusions and Recommendation**

The study found that negotiation planning had positive and significant relationship with procurement efficiency. The study concludes that, negotiation practices such as organization needs to set aims, accumulates facts and defines duties an important negotiation tactic in procurement efficiency in the Ministry of Finance and Planning. To improve negotiation planning for procurement efficiency. The study recommends the management of Ministry of Finance and Planning to define the organization's negotiation objectives, conduct a cost-benefit analysis of potential negotiation strategies, select a negotiation strategy that is most likely to achieve the organization's objectives, implement the strategy, and evaluate its effectiveness and modify or adapt the strategy as necessary to achieve continued success. The findings of this study are based on the data gathered on one governmental body; other public institutions are not included in the scope of this study. As a result, this study offers prospects for future researchers and academics to further investigate on the unexplored domains.

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**Table 3: Correlation between Negotiation Planning and Procurement Efficiency**

<table>
<thead>
<tr>
<th></th>
<th>Negotiation planning</th>
<th>Procurement efficiency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.721*</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.004</td>
</tr>
<tr>
<td>N</td>
<td>80</td>
<td>80</td>
</tr>
</tbody>
</table>

*Correlation is significance at the 0.05 level of significance (2-tailed)

**Source:** Research Findings (2022)
References


Amin, M. (2005). *Social Science Research Concepts, Methodology & Analysis; Makerere University Kampala*


