



**INFLUENCE OF CONTRACT MANAGEMENT PRACTICES ON OPERATIONAL PERFORMANCE OF STATE CORPORATIONS IN KENYA**

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**Abstract**

The study sought to establish the influence of contract management practices on operational performance of state corporations in Kenya. The study adopted descriptive research design to establish influence of contract management practices on operational performance of state corporations in Kenya. The target population comprised of head of departments in state corporations in Kenya which totals to 162. This study was a census survey of all 162 state corporations in Kenya. Primary data was collected using questionnaires as the main data collection instruments. Piloting of the questionnaire was done using employees in state corporations who were not included in the final study. Mixed methods data analysis techniques were employed in this study incorporating both descriptive and inferential data analysis. Descriptive statistics which included means, SD, percentages and frequencies were applied in analysing quantitative data and the findings displayed in tables and figures. Qualitative information was tested using content analysis. The study conducted a correlation analysis to establish the strength of the relationship between the independent and the dependent variable. Multiple regressions were done establish the influence of contract management practices on operational performance of state corporations in Kenya. The study also found that the relationship between contract panning and operational performance was significance. The study found that contract administration has a positive effect on operational performance. The study found that contract evaluation has a positive effect on operational performance. The study also found that dispute resolution has positive effect on operational performance. There is need for state corporations in Kenya to have proper contract plans that are in line with the organization objectives. The procurement staff at state corporations in Kenya should ensure that they do proper contract administration by allocating all the necessary resources to a contract to avoid cost overruns. There is need for regular contract evaluation through monitoring and evaluation of contract performance. The study also recommends management of state corporations in Kenya to incorporate disputes resolution mechanisms such as negotiations and arbitration in every contract.

**Keyword:** Contract Administration, Contract Closure, Contract Management, Operational Performance.

## Introduction

Kenya is among the world nations striving to boost their economies. It is one of the developing countries in the world that consistently aim at being listed among developed countries, such as, the USA, Japan, China, Australia, and the UK (OECD, 2018). One way of realizing this is by ensuring effective and efficient service delivery to the citizens through its state agencies (Elsej, 2017). This explains the presence of numerous state corporations in Kenya. In a bid to meet its objectives, the government allocates funds to the state corporations annually, which is necessary in executing their respective roles and responsibilities to the citizens. Therefore, procurement is inevitable in every government organization and should be conducted in line with the regulations outlined in the Public Procurement and Disposal Act, 2005. The Act's main objectives include transparency and accountability, public confidence, enhanced economy and effectiveness, competition and fairness, and economic development and improved local industry (PPOA, 2019).

Kenya loses billions of taxpayers' money to improper procurement process, specifically poor contract management practices. This commonly happens in the country's state corporations due to issues, such as, corruption, litigations, contract cancellations and substandard service or product delivery. This calls for the pressing need to make appropriate policies and decisions to save the situation. Since the state requires to realize its value for money in the process of the serving its people, every state corporation is required to account for its expenses (Contract Monitoring Kenya Network, 2019). Therefore, contract management is a valuable step in public procurement as it ensures that service or products delivery is undertaken as per the contractual terms and conditions. The study will help unearth the effect of effective contract management practice on operational performance of the state corporations in Kenya.

Contract management practice comprise of all the activities involved in the drafting, review, revision, and analysis of contracts, and the implementation of systems and use of software that are designed to enhance accurate tracking and keeping of records relating to satisfaction of contractual terms (Willmott, 2019). Nevertheless, contract management is sensible if it makes a positive impact on the government in terms of operational performance. Thus, the study intended to delve into this variable contract management practices and operational performance, in order to examine whether there is any positive relationship existing between them.

Blankson (2015) asserts that African countries public procurement entities are facing challenges in ensuring contract execution and delivery of the required services by the contractors because of the way procurement functions and the procurement personnel perform internal and external processes and procedures in order to achieve their objectives. For example, failure to submit contract management records and failure by some members of the contract management team especially the end users, to take ownership of the contract. Oliveira (2015) in a study on the management of construction agreements in South Africa has examined the concept of contract management. The study notes that contract management is a process enabling the contractual parties involved to meet their obligations. This is with a view of

delivering the objectives arising in terms of the contract by proactively managing the contract so as to anticipate future needs and react to situations that may arise.

In Kenya a lot of taxpayer's money is lost due to poor practices of contract management and lack of proper procurement processes. This scenario is common in state corporations because of challenges of litigations, corruption, cancellation of contracts, and substandard products or service delivery. Therefore, there is an urgent need to develop appropriate policies and make proper decisions to salvage the situation. Each corporation should account for all their expenses because at the end, the state will want to establish its value for money (Contract Monitoring Kenya Network, 2012). Contract management is therefore of great importance in public procurement because it ensures that terms and conditions set in the contract are adhered to when delivering products and services. This study helped in unveiling the impact effective contract management has on performance of operation in state corporations in Kenya.

State corporations refer to agencies, companies or intergovernmental organizations that have political influence and are distinct from the government though their activities directly or indirectly serve the state. Such organizations can also be partly or wholly owned by a government. Under the State Corporations Act, chapter 446 of the constitution, Kenya has established many state corporations usually referred as Parastatals. These firms have the autonomy of running and concentrating on particular mandates so as to enhance the public service delivery (Government of Kenya, 1986). Even though they have Board of Directors and equivalent governing bodies to supervise their operations, such institutions act within the general supervision of their respective ministries (Government of Kenya, 2004).

Currently, there are almost 187 state corporations in Kenya (Government of Kenya, 2021). These organizations are highly indispensable in the Kenya since they provide significant avenues through which the state reaches out to the people and serve them appropriately. These organizations are relevant in the study because they all undertake procurement practice under the PPDA 2015 regulations. The country loses a lot of taxpayers' money through poor procurement and contract management practices. Therefore, it would be insightful to discover the extent to which state corporations in Kenya conduct contract management practices. It is also worthwhile to understand how contract management practice affects the operational performance of these state corporations.

### **Statement of the Problem**

As CMKN (2019) Kenya loses a lot of taxpayers' money to improper procurement practices, specifically because of poor contract management practices. This is common in its state corporations and some of the causes include corruption, litigations, contract cancellations and substandard service or product delivery (Daily Nation, 2020). Therefore, there is an urgent need to solve this problem by making appropriate policies and decisions to save the situation (Transformation Index, 2019). Besides, the country requires to realize its value for money in the process of the serving its people, hence the requirement for every state corporation is required to account for its expenses (Investment Climate Statement, 2018). Consequently, this makes contract management an inevitable aspect of public procurement as it ensures that service or products delivery is undertaken as per the contractual terms and conditions

(Transformation Index, 2019). The study would help unearth the effect of effective contract management practice on operational performance.

Contract management practice is a vital aspect in any organization that intends to gain a competitive advantage and value for money. A firm's procurement process is incomplete without an effective and efficient contract management practice. Cropper (2008) describes contract management is the process of monitoring whether the contract parties are complying and performing as per the agreement. It also involves handling of issues that include errors, payment, specifications, policy specifications, as well as any changes that may result in the course of the contract execution. Contract management entails a process of efficient and systematic management of contract creation, implementation, and analysis in order to maximize financial and operational performance, as well as minimize risks. Operational performance measurement is critical in ensuring that overall strategic objectives of a firm are effectively and efficiently achieved. Contract management improves an organization's operational performance as indicated by various measures, such as, quality, flexibility, speed, efficiency, and supplier relationship (Cho & Pucick, 2005).

Empirical studies done includes; Kakwezi (2012) studied management of procurement contracts in disposal entities and public procurement, Mugo (2014) researched on aspects that affect management of contracts in Kenya's public procurement sector. Ronnberg-Sijodin (2013) in his study focused on the viewpoint of buyer-seller relationship in project development process. Smith, Peter, Damien and Peter (2014) researched on the effects Early Contractor Involvement (ECI) has on Australia's public procurement. The aforementioned studies focused on private and non-governmental organizations and were conducted in different business environment outside Kenya; hence inappropriate to apply their findings and conclusions on the Kenyan context. Further, state corporations do not necessarily focus on profits; instead, they aim effective service delivery to the citizens. Therefore, a clear link between the two variables (contract management practices and operational performance) was necessary. It was for this reason that the study proposed sought to establish the influence of contract management practices on operational performance of state corporations in Kenya.

### **Objective of the Study**

The general objective of the study was to establish the influence of contract management practices on operational performance of state corporations in Kenya. The study was guided by the following specific objectives

1. To determine the influence of contract planning on operational performance of state corporations in Kenya
2. To assess the influence of contract administration on operational performance of state corporations in Kenya
3. To examine the influence of contract evaluation on operational performance of state corporations in Kenya
4. To establish the influence of dispute resolution on operational performance of state corporations in Kenya

## **Theoretical Review**

### **Contract Management Theory**

Contract management theory can be interpreted as category management, contract administration and contracting processes (Knoester, 2005). While category management is about managing the contracting processes initiation, contract management is addressed by Knoester (2005) who speaks of contract management as the management of the engagement administration of all term agreements by which means a contract is closed. He stressed that this is the contract management process for ensuring that the right information is in the right place at the right time, to support the whole of the contracting process. In project disciplines, this can be achieved by distributing contract information to all primary project stakeholders to determine and assess an optimal supply base. The contract management theory was used in this study to determine the influence of contract planning on operational performance of state corporations in Kenya

### **Theory of Constraints**

Ochieng (2014) theorised that the Theory of Constraints (TOC) is a philosophy of management and improvement originally developed by Eliyahu M. Goldratt and introduced in his book, *The Goal*. It is based on the fact that, like a chain with its weakest link, in any complex system at any point in time, there is most often only one aspect of that system that is limiting its ability to achieve more of its goal. For that system to attain any significant improvement that constraint must be identified and the whole system must be managed with it in mind. This theory was therefore applicable in this study in assessing the influence of contract administration on operational performance of state corporations in Kenya.

### **Transaction Cost Economics Theory**

This theory is considered to be very important theory on organization because there are several studies that have been developed based on this theory (Williamson 2007) and is one of the main perspectives in organizational studies (David and Han 2004). The vital commitment of Transaction cost economics to organization theory, resulted in a wide range of empirical contributions (Macher and Richman 2008), using transaction cost economics, for instance as a make or buy decision help, or verification of the right contract mode. Transaction Cost Economics (TCE) inspects how business partners who collaborate with each other shield one another from harmful subsidiary with differing relationships. When transactions occur within an organization, the transaction costs can include managing and monitoring personnel and procuring inputs and capital equipment. Thus, the organization of transactions, or “governance structure,” affects transaction costs. This theory was therefore useful in examining the influence of contract evaluation on operational performance of state corporations in Kenya

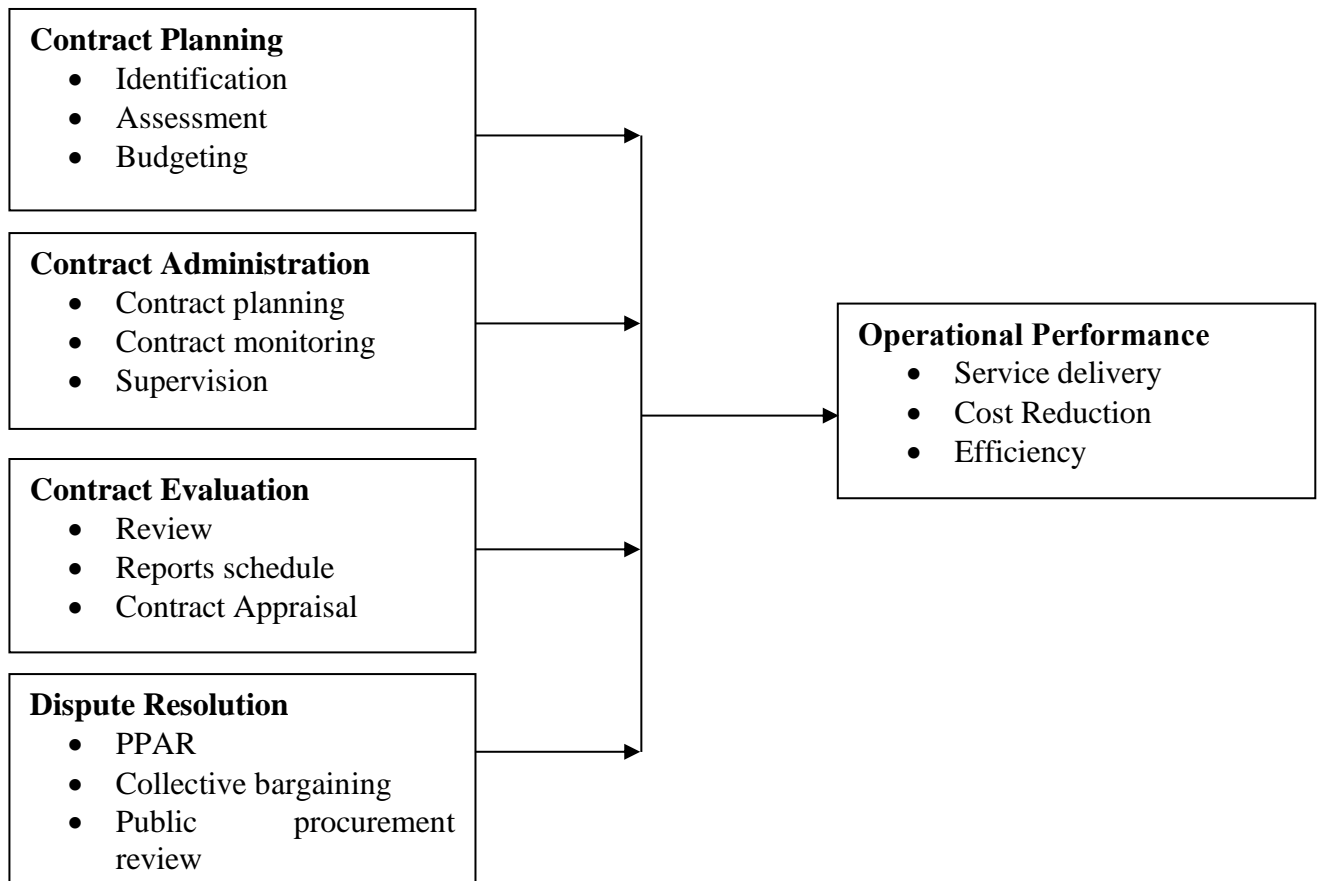
### **Principal Agent Theory**

An agency relationship is defined as one where one or more persons (the principal) interact with another person (the agent) to conduct some services on their behalf where the authority to make decisions is delegated to the agents (Jensen & Meckling, 1976; Ross, 1973). The cornerstone of agency theory is the assumption that the interests of principals and agents

diverge. According to agency theory, principals have the ability of limiting divergence from their interest through the creation of proper incentives for agents, and by incurring the monitoring cost in order to limit the opportunistic cost of agent. According to the principal-agent theory, the relationship between the two parties also involves self-interest of each party. It is commonly assumed that all participants in the project will work together in order to achieve the same goal. However, there is a potential conflict of interests between the participants because they all have their self-interests too. Therefore, agency theory was used to establish the influence of dispute resolution on operational performance of state corporations in Kenya

### Conceptual Framework

Conceptual framework is a set of wide ideas and theories that enables the researcher to identify problems in the study, frame questions and discuss the relevant literature for the study (Stratman & Roth, 2014).



**Independent Variable**

**Dependent Variable**

**Figure 1: Conceptual Framework**

#### Contract Planning

Contract planning is concerned with identifying and executing the structure, format and content of the contracting mechanism the organization needs with their partners (Burgess & White, 2015). Good contract planning formalizes relations between parties within a robust legal framework, but is much more besides; it is an opportunity to define the arrangements that

encompass every aspect of what outcomes the organization wants from the supplier and how it wants the relationship to work (Calvert, 2013). This means that the organization needs to take an active role in the development of the contractual mechanism early on; it should not be left as a supplementary activity post negotiation.

### **Contract Administration**

This is the activity that involves maintenance of updated contract forms, management and control of variation in contracts, payments to contractors, asset management, contract termination and drafting of reports (Hansson & Longva, 2014; Piga & Treumer, 2013). Contract administration starts with developing clear, concise performance-based statements of work. The statement of work should be the roadmap for contract administration. Therefore, planning for contract administration occurs prior to issuance of the solicitation. The goal of contract administration is to ensure the contract is satisfactorily performed and the responsibilities of both parties are properly discharged.

### **Contract Evaluation**

Contract evaluation encompasses the overall contract performance and acquisition of entity management. The evaluation of the operation of the contract and of contract outcomes is very useful in understanding and improving overall contract management, improving contractor performance and also assists in future stakeholder decision-making. An evaluation should be undertaken at the end of all contracts and should be planned for in advance. When a transition from one contract to another is to occur, it is better practice for an evaluation to be undertaken before the contract ends so that any problems that have occurred with aspects of the contractual arrangement are identified and, where appropriate, improvements made in the future contractual arrangements (Prosidian consulting, 2015).

### **Dispute Resolution**

Dispute resolution is the process of resolving disputes between parties. If disputes are not properly managed, they may cause project delays, undermine team spirit, increase project costs, and, above all, damage business relationships (Cheung & Suen, 2002). With increasing number of people venturing in construction project, there is increased number of interactions and arguments and the result is increased disputes (Kumaraswamy & Yogeswaran, 2018). Research in preventing and resolving disputes supports the effort for better understanding and harmonization of the different cultures (Loosemore, 2019). It was rightly stated “without understanding there can be no friendship. If one wishes to understand a people one must identify oneself with them. One must study their language, customs and culture and they will be one’s friend” (Broster, 2016).

### **Operational Performance**

Blazey (2019) states that operational performance entails an organization’s performance in relation to standards or prescribed measures of efficiency, effectiveness, environmental responsibility comprising of waste reduction, productivity, regulatory compliance, and cycle time. He further demonstrates that operational performance is a normal dependent variable that managers and researchers use in evaluating specific firms in comparison with their business

rivals. For instance, operational performance can be dependent on a firm's factors, such as, human resources development, marketing strategy, customer service, image or reputation, corporate social responsibility, contract management, supplier relationship, and communication.

### **Research Methodology**

For this study, the researcher used descriptive survey. Descriptive survey design enables the researcher to summarize and organize data in an effective way (Kireru, 2014). The target population will comprise of head of departments in state corporations in Kenya which totals to 162 (ISC Report, 2016). These state corporations are further subdivided into categories which include: financial (20), regulatory (30), commercial/manufacturing (30), learning institutions (32) and service (50). The interest in this population was driven by the fact that state corporations, due to their weak governance are vulnerable to poor contract management practices which affects their operational performance of state corporations in Kenya

**Table 1: Target Population**

<b>Category</b>	<b>Frequency</b>
Financial	20
Regulatory	30
Commercial/manufacturing	30
Learning institutions	32
Service	50
Total	162

### **Source, ISC Report (2021)**

This study was a census survey of all 162 state corporations in Kenya. Primary data was collected using questionnaires as the main data collection instruments. The questionnaires were self-administered with assistance from the research assistants. Self-administered questionnaires are advantageous in that they cost less than personal interviews and also enable the researcher to contact participants who might otherwise be inaccessible. The suitability of the questionnaire for this study was tested by first administering it to 16 heads of departments who are approximately 10% of 162, the total number of the intended respondents. The questionnaire was pretested on 16 staff from four state corporations.

Mixed methods data analysis techniques were employed in this study incorporating both descriptive and inferential data analysis. Descriptive statistics which included means, SD, percentages and frequencies were applied in analysing quantitative data and the findings displayed in tables and figures. Qualitative information was tested using content analysis. The study conducted a correlation analysis to establish the strength of the relationship between the independent and the dependent variable. Multiple regressions were done establish the influence of contract management practices on operational performance of state corporations in Kenya Data was presented using tables, and pie charts to make them reader friendly. In addition, a multiple regression was used to measure the quantitative data and will be analysed using SPSS too.



## Results and Discussion

The study used a sample of 162 respondents where all respondents were issued with questionnaires but only 126 were received back having been dully filled. The study pre-tested the questionnaire on 16 respondents selected from employee in the procurement department in state corporations. The findings of the pilot test were used to test reliability of the questionnaire. Reliability analysis was done using Cronbach's Alpha. Reliability score of 0.7 and above was considered reliable (Cooper & Schindler, 2013). The findings as shown in Table 2 indicate that contract planning has an alpha of 0.839, contract administration has an alpha of 0.793, contract evaluation has an alpha of 0.812, dispute resolution an alpha of 0.787, and lastly organizational performance has an alpha of 0.754. This shows that all the variables are reliable.

**Table 2: Reliability Analysis**

Scale	Cronbach's Alpha	Number of Items
Contract Planning	0.839	6
Contract Administration	0.793	6
Contract Evaluation	0.812	6
Dispute Resolution	0.787	6
Operational Performance	0.754	6

## Contract Planning and Operational Performance

Respondents indicated their level of agreement with statements relating with statements concerning the influence of contract planning on operational performance within your organization. Results obtained were presented in Table 3

**Table 3: Contract Planning on Operational Performance**

Statement	Mean	Std. Dev.
In my organisation, there are clear description of processes and contract plans	3.746	0.889
When planning, my organization weighs first the level of contribution to contract quality and risk	3.636	0.921
Planning team in my organization try to be innovative when developing contracts	3.754	0.826
Innovative contract planning has enabled to grow its market share	3.780	0.878
Proper contract planning can be attributed to reduced costs and successful contract execution.	3.585	0.999
Efficient contract planning enhances operational performance at state corporations	3.646	0.889

From the findings, the respondents were in agreement that innovative contract planning enabled the company to grow its market share (M=3.780); planning team in the organization try to be innovative when developing contracts (M=3.754); in the organisation, there are clear description of processes and contract plans (M=3.746); efficient contract planning enhances operational performance of state corporations (M=3.646); when planning, the organization weighs first the level of contribution to contract quality and risk (M=3.636); and proper contract planning can be attributed to reduced costs and successful contract execution (M=3.585). These findings agree with Oluka and Basheka (2014) who reveal that clear

description of processes and setting contract management plans, suitable methods of using vital lessons from contract management practice, precise definition of roles and employing knowledgeable contract manager enhance effective contract management process.

### Contract Administration and Operational Performance

**Table 4: Contract Administration**

Statement	Mean	Std. Dev.
Proper planning before initiation of any contract leads to productivity at state corporations	3.551	1.051
Costs are reduced due to proper contract planning in our organization	3.619	0.914
Contracts once initiated are monitored through the contract life cycle in our organization and this enhance productivity	3.822	0.735
Contract monitoring can be attributed to reduced costs within our organization	3.746	0.786
Contract administration enhances our organizations performance	3.737	0.821

From the findings, respondents agreed that: contracts once initiated are monitored through the contract life cycle in the organization and this enhances productivity (M=3.822); contract monitoring can be attributed to reduced costs within the organization (M=3.746); contract administration enhances organizations performance (M=3.737); costs are reduced due to proper contract planning in the organization (M=3.619); and proper planning before initiation of any contract leads to productivity at state corporations (M=3.551). These findings concur with CIPS (2011) that the goal of contract administration is to ensure the contract is satisfactorily performed and the responsibilities of both parties are properly discharged. Effective contract administration minimizes or eliminates problems and potential claims and disputes. It is essential for contract administrators to understand the provisions of the purchase document, have the ability to communicate contract obligations to all parties involved, and maintain control over the contract performance

### Contract Evaluation and Operational Performance

**Table 5: Contract Evaluation**

Statement	Mean	Std. Dev.
Our organization conduct post contract audits to ensure productivity	3.797	0.791
Our organization reviews contract performance to ensure reduced costs in future contracts	3.805	0.731
Contract audits in our organization highlights areas of weaknesses and strengths and hence corrective actions which contributes to productivity	3.814	0.951
Review reports in our organization are acted upon by the responsible persons hence increase productivity	3.881	0.730
Contract Appraisal enhances our organizational performance	3.839	0.867
Through evaluation, our organization is able to identify problems and find solutions in a timely manner to ensure high quality of the goods and services delivered	3.864	0.784

The findings presented in table 5 show that respondents agree that: review reports in their organization are acted upon by the responsible persons hence increase productivity (M=3.881); through evaluation, the organization is able to identify problems and find solutions in a timely

manner to ensure high quality of the goods and services delivered (M=3.864); contract appraisal enhances organizational performance (M=3.839); contract audits in the organization highlights areas of weaknesses and strengths and hence corrective actions which contributes to productivity (M=3.814); the organization reviews contract performance to ensure reduced costs in future contracts (M=3.805); and the organization conduct post contract audits to ensure productivity (M=3.797). The findings agreed with Bartsiotas (2014) that it is critical to monitor a contract's performance frequently and at regular intervals after award to ensure that the contractor is providing the goods and services on schedule and within budget, and that quality standards are being met, especially for the highest-risk and most complex contracts.

### Dispute resolution and Operational Performance

**Table 6: Dispute Resolution**

Statement	Mean	Std. Dev.
In cases of contract disputes, our organization employs mediation as a way of resolving disputes to ensure satisfaction for both parties	3.839	0.827
Mediation reduces organization costs as a way of resolving disputes as our organization avoid expensive court procedures.	3.805	0.719
Collective bargaining in cases of disputes ensures both parties are satisfied and hence productivity	3.763	0.967
Costs have reduced by our organization employing collective bargaining since both parties become satisfied at the end.	3.763	0.834
Dispute resolution mechanisms by our organization results in improved operational performance	3.661	0.869
Our organization uses appropriate procedures to resolve differences with the contractor and therefore ensures is a 'win-win' situation	3.785	0.847

From the findings, respondents agreed that in cases of contract disputes, the organization employs mediation as a way of resolving disputes to ensure satisfaction for both parties (M=3.839); mediation reduces organization costs as a way of resolving disputes as the organization avoid expensive court procedures (M=3.805); the organization uses appropriate procedures to resolve differences with the contractor and therefore ensures is a 'win-win' situation (M=3.785); collective bargaining in cases of disputes ensures both parties are satisfied and hence productivity (M=3.763); costs have reduced by the organization employing collective bargaining since both parties become satisfied at the end (M=3.763); and dispute resolution mechanisms by the organization results in improved operational performance (M=3.661). These findings agree with Suen (2014) who gave a reflection of the characteristics of international projects in China, cultural and legal matters are also found to be the sources of problem and indicated that Mediation is the most popular method, after negotiation, for resolving disputes in international construction projects in China. The problem areas giving rise to disputes are mainly related to contractual matters. If disputes are resolved outside the court it will reduce on the cost of expensive court procedures hence impacting positively on the profits.

## Operational Performance

**Table 7: Operational Performance**

Statement	Mean	Std. Dev.
Contract management results to increased profitability	3.746	0.889
Contract management effort has helped reduce our product cost.	3.746	0.786
Contract management effort has helped to improve our productivity	3.763	0.967
The relationship between the organization and contractors have improved	3.805	0.719
There has been improved organizational efficiency; performance is high in relation to procurement cycle time	3.822	0.735
Through contract management, operational performance measured by quality, flexibility, speed, supplier relationship, supplier defect rate and efficiency have improved.	3.619	0.914

From the findings, respondents were in agreement that there has been improved organizational efficiency-improved performance is high in relation to procurement cycle time (M=3.822); the relationship between the organization and contractors have improved (M=3.805); contract management effort has helped to improve organization productivity (M=3.763); contract management results to increased profitability (M=3.746); contract management effort has helped reduce product cost (M=3.746); and through contract management, operational performance measured by quality, flexibility, speed, supplier relationship, supplier defect rate and efficiency have improved (M=3.619). The findings agree with CMKN (2012) who highlights some of the factors that contribute to inefficiency in public procurement as corruption, delayed payments, poor planning, statutory amendments, insufficient use ICT, low public participation, and improper payment procedures negatively affects public procurement in the country. Therefore, State Corporation's procurement performance improved because they were able to mitigate the collages mentioned by CMKN, through proper contract management.

## Correlation Analysis

**Table 8: Correlation Analysis**

		Operational Performance	Contract Planning	Contract administration	Contract evaluation	Dispute resolution
Operational Performance	Pearson Correlation	1				
	Sig. (2-Tailed)					
	N	126				
Contract Planning	Pearson Correlation	.551*	1			
	Sig. (2-Tailed)	.017				
	N	126	126			
Contract administration	Pearson Correlation	.503*	.325	1		
	Sig. (2-Tailed)	.027	.064			
	N	126	126	126		

<b>Contract evaluation</b>	Pearson Correlation	.517*	.232	.311	1
	Sig. (2-Tailed)	.035	.000	.013	
	N	126	126	126	126
<b>Dispute resolution</b>	Pearson Correlation	.566**	.299	.271	.483
	Sig. (2-Tailed)	.004	.299	.349	.080
	N	126	126	126	126

From the findings, contract planning was found to be positively and significantly related to operational performance ( $r = 0.551$ ,  $p$ -value = 0.017). Contract administration was found to be positively and significantly related with operational performance ( $r = 0.503$ ,  $p$ -value = 0.047) at 0.05 levels of significance. Contract evaluation was having positive and significant relationship with operational performance ( $r = 0.517$ ,  $p$ -value = 0.034) and dispute resolution was found to be positively and significantly related to operational performance ( $r = 0.566$ ,  $p$ -value = 0.004). These findings therefore suggest that contract planning, contract administration, contract evaluation and dispute resolution influences operational performance of state corporations.

### Regression Analysis

**Table 9: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762 <sup>a</sup>	.581	.508	.68293

From the findings, the value of adjusted  $R^2$  was 0.581 which suggests that 58.1% variation in operational performance can be attributed to change in contract planning, contract administration, contract evaluation and dispute resolution. Moreover, the remaining 41.2% suggest that there are other factors that can explain variation in operational performance which were not included in this model. The findings further show that the variables under investigation are strongly and positively related as indicated by correlation coefficient (R) value of 0.762.

**Table 10: Analysis of Variance**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	14.848	4	3.712	7.966	.000 <sup>b</sup>
Residual	56.386	121	0.466		
Total	<b>71.234</b>	<b>125</b>			

The results indicate that the model was significant since the  $p$ -value (0.000) was less than 0.05 thus the model is statistically significance in determining the role of contract management on operational performance in private sector in Kenya. Further, the  $F$ -calculated (7.966) was found to be more than the  $F$ -critical (2.447) which shows that the models were fit in establishing the influence of the four independent variables on the dependent variable.

**Table 11: Beta Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.114	.051		2.259	.002
Contract Planning	.248	.120	.219	2.066	.039
Contract administration	.269	.131	.280	2.058	.027
Contract evaluation	.387	.172	.399	2.247	.003
Dispute resolution	.316	.150	.318	2.113	.014

a. Dependent Variable: Operational Performance

The regression model was;

$$Y = 0.114 + 0.248X_1 + 0.269X_2 + 0.387X_3 + 0.316X_4 + \varepsilon$$

Where: Y= Operational Performance, X<sub>1</sub>= Contract Planning, X<sub>2</sub>=Contract Administration, X<sub>3</sub>= Contract Evaluation and X<sub>4</sub>=Dispute resolution

The equation above revealed that holding contract planning, contract administration, contract evaluation and dispute resolution variables to a constant zero, operational performance will be at a constant of 0.114 units. From the table above, the findings show contract planning has a positive effect on operational performance as shown by a regression coefficient of 0.248. The p-value (0.039) was less than the significance level (0.05), hence the relationship was significant. Therefore, a unit increase in contract planning will result to an increase in operational performance. The results also show that contract administration has a significant effect on operational performance as shown by a regression coefficient of 0.269. The relationship was significant as the p-value (0.027) was less than the significance level (0.05). Therefore, increasing contract administration by a single unit will result to an increase in operational performance by 0.269 units.

From the findings, the study found that contract evaluation has a positive significant effect on operational performance as shown by a regression coefficient of 0.387. The relationship was found to be significant as the p-value (0.003) was less than the significance level (0.05). Therefore, a unit increase in contract evaluation leads to an increase in operational performance by 0.387 units. The study also found that dispute resolution has positive significant effect on operational performance as shown by a regression coefficient of 0.316. The relationship was found to be significant as the p-value (0.014) was less than the significance level (0.05). Therefore, increasing dispute resolution by a single unit would lead to an increase in operational performance by 0.316 units. From these findings we can infer that contract evaluation influences operational performance most followed by dispute resolution, contract administration, and contract planning.

### Conclusions

The study found that contract planning has a positive effect on operational performance. The study also found that the relationship between contract panning and operational performance was significance. The study further established that contract planning procedures in place have enhanced productivity. The study found that contract administration has a positive effect on

operational performance. The study also established that relationship between contract administration and operational performance was significant. In addition, the findings established that contract administration has enabled the organization to achieve cost reduction.

The study found that contract evaluation has a positive effect on operational performance. The study also established that the relationship between contract evaluation and operational performance was significant. In addition, the study established that review of contract regularly eliminated wastages hence reduced cost. The study also found that dispute resolution has positive effect on operational performance. The study also established that the relationship between dispute resolution and operational performance was significant. The study also established that organization mediation is a common form of dispute resolution mechanism employed by the organization; also, collective bargaining as a form of dispute resolution has become a win-win approach to contractors and the organization.

### **Recommendations**

There is need for state corporations in Kenya to have proper contract plans that are in line with the organization objectives, this will help the organization to be efficient in services delivery as well as cut the unnecessary cost associated with lack of planning. The procurement staff at state corporations in Kenya should ensure that they do proper contract administration by allocating all the necessary resources to a contract to avoid cost overruns, as the study found that contract administration has a positive effect on operational performance.

There is need for regular contract evaluation through monitoring and evaluation of contract performance, regular contract evaluation will help in put corrective measures in case of deviation of actual results against standards. The study also recommends management of state corporations in Kenya to incorporate disputes resolution mechanisms such as negotiations and arbitration in every contract, this will help in protecting relationship with suppliers.

### **Areas for Further Research**

The research concentrated on contract planning, contract administration, contract appraisal and dispute resolution and their contribution to organizational performance, which it was found to explain only 58.1% of operational performance. The study therefore recommends a study to be conducted on other contract management practices that influence operational performance. The study focused on state corporations in Kenya only, the study therefore recommends other studies to be conducted on private companies to facilitate generalization of the research findings. The study also recommends future researchers to investigate the influence of relationship management, contact closure on organizational performance.

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