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**Procurement Contract Management and Sustainable
Performance of State Corporations in Kenya**



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Procurement Contract Management and Sustainable Performance of State Corporations in Kenya

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Abstract

Purpose: The purpose of this study was to establish the effect of procurement contract management on sustainable performance of state corporations in Kenya.

Methodology: The research design used in this research was mixed-methods research design. The study focused on 187 state corporation as the target population. Census was applied where all state corporations were surveyed and purposive sampling was used to pick the finance manager and the procurement manager which resulted to 374 respondents. The study main source of data was primary data which was gathered using research questionnaires. The gathered data was assessed with the help of Statistical Package for Social Sciences (SPSS) Version 28. The study carried out both descriptive and inferential analysis to draw conclusions.

Results: The inferential analysis results revealed that procurement contract management had a significant and positive influence on the sustainable performance of state corporations in Kenya at $p < 0.05$. This indicates that contract preparation, contract administration, contract control and monitoring and contract conflicts resolution mechanisms are crucial drivers of sustainable performance of an organization. The model summary found that a unit change in procurement contract management may account for a variability of 45.1% in a firm's sustainable performance. The R value for the model was 0.670 and the R^2 was 0.451. This was a sign that the model was appropriate for establishing the link between procurement contract management and sustainable performance and, as a result, for drawing the conclusions and suggestions from the study.

Unique Contribution to Theory, Practice and Policy: While the existing theory of public contracts used in this study was validated, the study recommends that the government through the appropriate regulatory agencies and the management of public procuring entities have the mandate to make sure that appropriate oversight of the management of contracts in state corporations is carried out as a means of ensuring accountability and justice throughout the entire process. According to the study, policymakers and state regulatory organizations should take the lead in making sure that contracts are properly documented and that they are diligently and effectively managed to ensure full adherence to the rules and regulations.

Keywords: *Procurement Contract Management, Contract Monitoring, Contract Administration, Contract Records, Sustainable Performance, State Corporations.*

1.0 BACKGROUND OF THE STUDY

Namusonge *et al.* (2016), asserts that various organizations involved in acquiring goods and services lack proper ways of managing procurement contract. The lack of proper procurement contracts management is still a major limitation to the procurement performance in different countries (Ndei & Mutuku, 2021). This has resulted to the need for companies to emphasis on training and developing of their staff on contract management. PPAD Act (2015), indicated that the public procurement law was set so as to ensure that there is training for officers dealing with procurement contracts. Many procurement units of organizations in public sectors staff lack necessary expertise and specialized procurement contract knowledge even with the actions taken on the road to improving professional procurement human resources (Kimundu, & Moronge, 2019). Contract management is the procuring entity's responsibility over a period of the contract to ensure that the contractual agreement is met by all parties involved in the contract. Contract life cycle management involves contract development, administration, implementation and monitoring to ensure performance of the contract and ensuring contractual risks are minimized (Ogembo & Muturi, 2019). Procurement contract management should be effectively implemented as it is important in ensuring sustainable performance of an organization; therefore, there is need for the procuring entities to successfully ensure that procurement contracts are well managed (Ochola & Kitheka, 2019).

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According to PPOA Audit Report (2014), poor contract management in Kenyan public organizations is still on the rise (Namusonge *et al.*, 2018). Procurement employees and everyone involved in all activities and processes pertaining to acquiring products, works and services for the public are supposed to be familiar and understand the purchasing guidelines, regulations, rules and laws so as to be able to comply. Owuoth and Mwangangi (2017), states that procurement practitioners will comply with the laws and regulations if they understand and recognize them as clear. Chogo *et al.* (2020), indicated that if the law is not clear to procurement practitioners, then it will lead to likelihood for procurement law noncompliance and that procurement laws and policies that are not well-known leads to poor compliance levels.

1.1 Problem Statement

According to Mugo and Odari (2018), there has been an increasing global pressure for all state procuring organizations to enhance sustainability of their business operations. In their study Onyango and Ondiek (2021), indicated that amidst environmental degradation, scarcity of resources, climate change, persistent global poverty and inequalities, the procurement profession is progressively being called upon to contribute to sustainable performance and developments. In their study, Jepchirchir and Noor (2019) found that the majority of public procuring entities lack environmental awareness when it comes to supplier selection, evaluation, contract administration, monitoring, and documentation. As a result, their operations activities use more resources, consume water and energy inefficiently, and produce more waste. Despite support and assistance from national governments and procurement agencies to develop procurement contract standards and policies, according to Kariuki and Aduda (2019), a number of studies show varying degrees of success in achieving sustainable performance in state entities in Kenya. This raises a concern on whether procurement contract management could be linked to sustainable performance among the state corporations. The reviewed empirical Studies have generally concentrated on various situations and locations; it is still essential that a study be conducted to close the gaps. In light of this, this study aims to determine how procurement contract management affects the sustainability of Kenyan state corporations.

1.2 Objective of the Study

To establish the effect of procurement contract management on sustainable performance of state corporations in Kenya.

1.3 Research Hypothesis

H₀: There is no significant effect of procurement contract management on sustainable performance of state corporations in Kenya.

2.0 LITERATURE REVIEW

2.1 Theory of Public Contracts

This theory was developed by Pablo Spiller in 2008 and was deemed appropriate for this study for the purpose of analyzing the impact of managing procurement contracts on sustainable performance of state corporations; as a result, it serves as the theoretical underpinning for this research. Bajari and Tadelis (2001), indicate that the proponents of this theory focus on enhancing involvement of competitive bidders in the purchasing processes so as to improve performance in operation. Such involvement is anticipated to increase the level of public agents' oversight and enforcement of public procurement law and shift accountability from the authorized representatives to the taxpayers, who are the major stakeholders. This will lead to improved profitability, reduced lead time, improved customer satisfaction and delivery of quality services (Rashid, 2015). The contract theory observes procurement department as a link that exists among significant organizational individuals who work so as to attain of common procurement objectives

and goals. Procurement management needs to work toward improving and developing good suppliers' relationships which will enhance organization's operations to improve business performance (Spiller & Pablo, 2008).

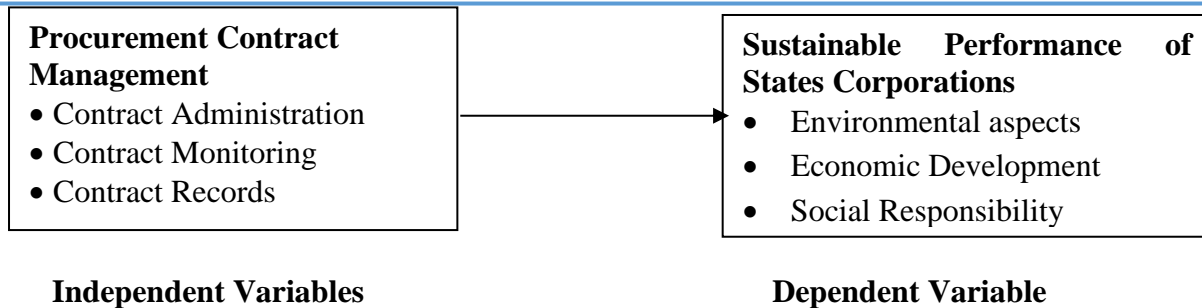
This theory states that most public procurement contracts face risks of governmental opportunism as governments may perhaps issue legislation making a specific contract illegal even after the contract has been administered (Rashid, 2015). When getting into a relationship between a supplier and a procuring entity there is need to ensure that both parties achieve their own responsibilities to improve the performance of the contract. The theory indicates that Procurement contractual relationships are essential to help the procuring entity deliver quality products and services to their clients.

Namusonge *et al.* (2016), asserts that various organizations involved in acquiring goods and services lack proper ways of managing procurement contract. The lack of proper procurement contracts management is still a major limitation to the procurement performance in different countries (Ndei & Mutuku, 2021). This has resulted to the need for companies to emphasis on training and developing of their staff on contract management. PPAD Act (2015), indicated that the public procurement law was set so as to ensure that there is training for officers dealing with procurement contracts. Many procurement units of organizations in public sectors staff lack necessary expertise and specialized procurement contract knowledge even with the actions taken on the road to improving professional procurement human resources (Kimundu, & Moronge, 2019).

According to Kibogo and Mwangangi (2019), capability in public procurement conveys to the staff's education, skills, qualifications and professional approach regarding how they perform their duties which leads to efficiency and effectiveness in contract management. According to PPOA Audit Report (2014), poor contract management in Kenyan public organizations is still on the rise (Namusonge *et al.*, 2018). Procurement employees and everyone involved in all activities and processes pertaining to acquiring products, works and services for the public are supposed to be familiar and understand the purchasing guidelines, regulations, rules and laws so as to be able to comply. Owuoth and Mwangangi (2017), states that procurement practitioners will comply with the laws and regulations if they understand and recognize them as clear. Chogo *et al.* (2020), indicated that if the law is not clear to procurement practitioners, then it will lead to likelihood for procurement law noncompliance and that procurement laws and policies that are not well-known leads to poor compliance levels.

2.2 Conceptual Framework

The purpose of using the conceptual framework was to offer a clear image of the association between dependent and independent variables. It illustrates how dependent and independent variables are related. Procurement contract management was the independent variable while sustainable performance of state corporation was the dependent variable.

*Figure 1: Conceptual Framework*

2.3 Research Gaps

It is clear that the impact of contract management to sustainable performance of public procuring bodies is critically important since environmental requirements, social responsibility and economic development is vital in any public entity globally (Gatobu, 2020). The empirical analysis shows that a number of the researches have been carried out in the western and African states and others in Kenya. Presented information has established immense limitations in the public procurement structure (Cheruiyot, 2018). A number of empirical researches have paid attention to public procurement regulatory framework and tend to neglect the substantial and important contribution of public procurement contract management guidelines and sustainable performance. These guidelines are in relation to procurement methods, procurement contract management, procurement preference and reservation groups and inventory management to the adherence to with procurement laws, regulations and policies in state corporations (Muange & Chirchir, 2018).

Some of empirical literature available have studies public procurement regulation. For instance, studies by Shiundu and Rotich (2020), researched on challenges facing performance of procurement processes in Kenya. The study target population was a case study of one organization whose findings may not be generalized on other public organizations (Bilala & Odari, 2021). However, all these studies leave an empirical gap on the influence procurement contract management guidelines and sustainable performance of states bodies in Kenya. Eyaa and Oluca (2018), researched on factors affecting compliance with the public procurement policies in Uganda using a structured research questionnaire, quantitative and regression analysis was used for data analysis. The study did not consider semi structured questions to collect respondent's opinion therefore living a knowledge gap. However, existing studies have attempted to analyze the effect of contract management on performance of organizations in Kenya but they haven't assessed this area of study comprehensively especially linking contract management to sustainable performance. Therefore, there are still empirical gaps that they suggested further studies to be carried out on the influence of procurement contract management on sustainable performance of State Corporation (Nyaga & Mwangangi, 2019). This study has adequately addressed the recommended research gaps by bridging it with new knowledge on the influence of managing

procurement contracts on sustainability of state corporations in Kenya and suggesting recommendations on how procurement contract management activities can be applied to enhance sustainable performance of state corporation in Kenya.

3.0 METHODOLOGY OF THE STUDY

The research design applied in this study was mixed-methods research design. The study focused on 187 state corporation as the target population. Census was applied where all state agencies were surveyed and purposive sampling was used to pick the finance manager and the procurement manager which resulted to 374 respondents. The study main source of data was primary data which was gathered using research questionnaires. The research questionnaire consisted of both structured and semi-structured study assessment questions. Drop and pick as well as online method was applied to administer the research questionnaire to the respondents. Both qualitative and quantitative data were gathered for the study. The SPSS Version 28 was used to do descriptive and inferential statistical analysis on the quantitative data obtained for this study. Content analysis was used as tool to analyse qualitative data. The analysed data was displayed using tables, graphs, and histograms. The results of the study were tested at significance level of 5%.

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Analysis of Procurement Contract Management

The purpose of the study was to identify the key components of procurement contract management that affect the sustainability of the state corporations. These components were contract administration, contract monitoring, and contract documentation. Statements derived from these features were presented to the respondents, who were asked to indicate their level of agreement or disagreement. Based on a five-point scale, on a scale of 1 to 5, strongly agree, disagree, neutral, and agree were utilized, with 1 denoting strong disagreement and 5 denoting neutral agreement. The results are displayed in Table 1.

The findings in table 1 indicate that the majority of the respondents agreed that on the statement every formed contract is a written, signed document ($\bar{x}=3.13$, $\sigma=1.32$). Besides, the results established that majority of the respondents agreed with that our organization consistently pays its contractors on time ($\bar{x}=3.05$, $\sigma=1.08$). The findings also established that majority of the respondents agreed that after a year from the contract's signing date, any variation is taken into consideration ($\bar{x}=3.85$, $\sigma=.88$). In addition, the study found out that majority of the responded agreed that to guarantee that all delivery or performance commitments are met, contracts are regularly monitored ($\bar{x}=3.84$, $\sigma=1.03$) Additionally, the findings indicated that majority of the respondents agreed the organization upholds tactics to strengthen good relationships with contractors ($\bar{x}=3.63$, $\sigma=1.15$). Further, the study established that majority of the respondents agreed that The contract is updated on a regular basis, and reporting is maintained ($\bar{x}=3.54$, $\sigma=1.19$).

Besides, the study established that majority of the respondents agreed that the organization maintains all required contract records ($\bar{x}=3.47$, $\sigma=1.14$). In addition, the study found out that majority of the respondents agreed that each contractor submits the necessary paperwork in accordance with the tendering documents ($\bar{x}=3.39$, $\sigma=1.25$). Further, the study established that majority of the respondents agreed that all parties to the contract have access to all contract documents ($\bar{x}=3.69$, $\sigma=1.08$).

Table 1: Procurement Contract Management

Statement	Mean	Std. Dev.
Every formed contract is a written, signed document	3.13	1.32
Our organization consistently pays its contractors on time	3.05	1.08
After a year from the contract's signing date, any variation is taken into consideration	3.85	0.88
To guarantee that all delivery or performance commitments are met, contracts are regularly monitored	3.84	1.03
The organization upholds tactics to strengthen good relationships with contractors	3.63	1.15
The contract is updated on a regular basis, and reporting is maintained	3.54	1.19
The organization maintains all required contract records	3.47	1.14
Each contractor submits the necessary paperwork in accordance with the tendering documents	3.39	1.25
All parties to the contract have access to all contract documents	3.69	1.08

4.2 Test of Hypothesis

The study sought to carry out hypothesis testing in order to establish the effect of each of procurement contract management on sustainable performance of state corporations.

H₀: Procurement contract management does not significantly affect sustainable performance of state corporations in Kenya.

The purpose of the study was to determine the statistical impact of procurement contract management on the sustainability of Kenyan state businesses. Model Summary, ANOVA and regression coefficients. The regression model proposed for the variable was; $Y = \beta_0 + \beta_2 X_2$.

Model Summary (Procurement Contract Management)

The summary of the model in Table 2 showed that the R value for the model was 0.670 and the R² was 0.451, indicating that a unit change in procurement contract management could account for a variability of 45.1% in a firm's sustainable performance. Thus, it was determined that the model could adequately explain how procurement contract management affected the sustainability of Kenyan state entities. The results are in line with the findings of Owago *et al.* (2021), who indicated that proper management of procurement contracts improves the sustainable performance of an organization.

Table 2: Model Summary (Procurement Contract Management)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.670 ^a	.451	.450	.52628

a. Predictors: (Constant), PCM

b. Dependent Variable: SP

Analysis of Variance (ANOVA) Test on Procurement Contract Management

According to Table 3's analysis of variance (ANOVA) results, the model was significant at a p-value of 0.000, which is less than the standard p-value of 0.05, at the computed F value of 258.413 and the mean of 73.524. The model's capacity to statistically significantly forecast how procurement contract management will affect the long-term viability of state agencies in Kenya shows that this factor influences the management of procurement contracts was significant. These findings are in tandem with the findings of Okundi and Kitheka (2019) that monitoring of procurement contracts significantly affect the sustainable performance of public entities contracts.

Table 3: Analysis of Variance (ANOVA) Test on Procurement Contract Management

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	74.636	1	73.524	258.413	.000 ^b
1	Residual	86.856	302	.278		
	Total	161.482	303			

a. Dependent Variable: SP

b. Predictors: (Constant), PCM

Regression Coefficients on Procurement Contract Management

The procurement contract management, as shown by the coefficient values in Table 4, was 0.718, making the new model $Y = 0.918 + 0.718X_2$. This suggests that a change in the way procurement contracts are managed might account for a change in the sustainable performance of Kenyan state corporations of up to 71.8%. The P-value for the variable was $0.000 < 0.05$, which shows that procurement contract management significantly and favorably impacted the long-term success of Kenyan state enterprises. At a 0.000 level of significance, the alternative hypothesis that procurement contract management has a positive impact on the sustainability of state agencies in Kenya was accepted instead of the null hypothesis. The findings agree with the findings of Mutuku *et al.* (2021), who indicated that management of procurement contract practices improves sustainable performance of devolved governments in Kenya.

Table 4: Regression Coefficients on Procurement Contract Management

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.918	.161		5.690	.000
1 Procurement Contract Management	.718	.045	.670	16.109	.000

a. Dependent Variable: SP

5.0 CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

The study concluded that management of procurement contracts have a substantial impact on the sustainability of state corporations. The study also came to the conclusion that good contract management is essential to ensuring that each party to the agreement fulfills their commitments so as to ensure delivery of quality products, timely delivery and achievement of value for money. The study concludes that that contract preparation, contract administration, contract control and monitoring and contract conflicts resolution mechanisms are crucial drivers of sustainable performance of state corporations in Kenya. The study concluded that contract administration has an effect on sustainable performance and that procuring entities need to have mechanism for administration and approval of the procurement contract.

5.2 Recommendations

On the procurement contract management, it can be recommended that it is the responsibility of the government, state corporations management, public procuring entities, public procurement Act enforcers and policy makers to warrant that procurement contract management policies and guidelines are appropriately followed. All parties involved in the procurement contracts need to pay attention of all steps involved in contract management including preparation of contract documents, contract administration, contract implementation and termination. This should be done as well as ensuring they maintain positive relationship with suppliers for possible collaborations

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