

DETERMINANTS OF PROCUREMENT CONTRACT MANAGEMENT OF SELECTED STATE CORPORATIONS IN NAKURU COUNTY, KENYA

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Abstract

Despite the importance of contract management amongst the procurement authorities, state corporation still face diverse challenges associated with contract management. The study therefore sought to examine factors that determine the effectiveness of procurement contract management of selected state corporations in Nakuru County. Specifically the study sought to establish the role of compliance with contract conditions and contract documentation on procurement contract management of selected state corporations in Nakuru County. This study adopted descriptive research design. The target population of this study comprised of 28 procurement staff, 28 finance staff, and 30 management staff from 10 selected state corporations in Nakuru County. Data was collected using a self-designed questionnaire and was analysed using descriptive and inferential statistics through SPSS 24. Findings reveal that there is a negative and statistically significant relationship between compliance with contract terms and conditions and the effectiveness of contract management ($\beta=-0.200$, $p= 0.045$). Findings also revealed that there is a positive and statistically significant relationship between the quality of contract documentation and the effectiveness of contract management ($\beta=0.243$, $p=0.042$). The study recommends that state corporations should place more emphasis on improving the quality of contract documentation in order to enhance the contract management process.

Keywords: *Contract, Contract Management, Contract Documentation, Compliance, State Corporations*

INTRODUCTION

A contract is a written or oral legally-binding agreement between the parties identified in the agreement to fulfill the terms and conditions outlined in the agreement. A prerequisite requirement for the enforcement of a contract, amongst other things, is the condition that the parties to the contract accept the terms of the claimed contract (Arrowsmith, 2004). Historically, this was most commonly achieved through signature or performance, but in many jurisdictions - especially with the advance of electronic commerce - the forms of acceptance have expanded to include various forms of electronic signature.

Contract management is the process that ensures both parties to a contract fully meet their respective obligations as efficiently and effectively as possible, in order to deliver the business and operational objectives required from the contract and in particular to provide value for money. As a result developing and managing contracts is a skill required by public sector entities in the management of the majority, if not all, programmes. However, contract management is not an end in itself and it is important that all contracting decisions and actions focus on the outcomes that entities are seeking to achieve (Saxena, 2008).

Successful and efficient contract management practices are those that meet the needs of the company's stakeholders, achieve optimum conditions and value in regard to the allocation of scarce tax payers resources (best value for money), ensure rational and efficient of funds available, stimulate valuable competition and manage the risk and potential liabilities to the buyer thus improving service delivery (Bradley, 2002).

In the United States, the federal government continues to increase its level of public spending for supplies and services. Within the federal government, the Department of Defense (DoD) is the largest contracting agency, procuring approximately \$370 billion in FY2009 (FPDS, 2010). The extent and amount of defense procurement spending necessitates that these contracts be well managed (Thai, 2004). However, this is not necessarily the case. The Government Accountability Office (GAO) identified various deficiencies in DoD contract management such as lack of effective administration and contractor oversight (Rendon & Snider, 2008).

In Uganda, the PPDA Capacity Building Report (2010) noted that some Procuring and Disposing Entities (PDEs) had serious constraints in execution and monitoring of contracts. The study highlighted the need for training personnel particularly on contract management. It also stressed the need to continuously formulate and implement strategies for addressing the existing capacity gaps within PDEs especially in the area of contract award and management.

In Kenya, state corporations play a major role in the development of the country through provision of public services and have become a strong entity in Kenya and very useful engines

to promoting development. In 2004, state corporations accounted for 20% of the country's Gross Domestic Product (GDP), provided employment opportunities to about 300,000 people in the formal sector and 3.7 million persons in the informal sectors of the economy (GoK 2004). However, there has been poor performance in the public sector over the years, especially in the management of public resources which has hindered the realization of sustainable economic growth (World Bank, 2004). State corporations have been experiencing a myriad of problems including corruption, nepotism and mismanagement that are draining public resources. The Economic Survey (2009) attributed these challenges to lax oversight, mismanagement, and weak fiduciary control procedures.

Productivity of state corporations is quite low while at the same time they continued to absorb excessive portion of the budget, becoming a principal cause of long term procurement problems (Hawamdeh 2005). Enhancing contract management practices is viewed as a panacea for enhancing the performance of state corporations and for increasing accountability and transparency (Subramaniam & Shaw, 2002).

Statement of the Problem

Contract management is a critical component of procurement process of public bodies. Contract management enhances the procurement process in diverse ways including anticipating future needs of users, reacting to arising challenges, and achievement of product and services quality. Other aspects include lead times in service delivery, budget considerations in procurement aspects, optimization of the efficiency, effectiveness and economy of service in contractual relationship, balancing costs against risks and actively managing the relationship between procurement parties.

Despite the importance of contract management amongst the procurement authorities, state corporations still face diverse challenges associated with contract management. For example, KenGen in 2015 cancelled Ksh 52 billion contract awarded to Rentco for the operation of geothermal well fields because due diligence was not undertaken before the awarding of the contract. The Independent Electoral and Boundaries Commission (IEBC) faced similar contract management challenges in respect to the ballot paper tendering resulting in delay in procurement of the same. Despite the existence of anecdotal evidence suggesting deficiencies in the contract management of public entities in Kenya, studies examining this issue are sparse.

In their study, Aluonzi, Oluka & Nduhura (2016) examined the role of contract management on performance of road maintenance projects. Dmadi, Dwaikat & Shweiki (2013) examined construction contracting management obstacles in Palestine while Marco (2013) examined contract management process in Tanzania. Although these studies touch on the

subject of contract management, they do not examine factors that determine the effectiveness of procurement contract management in government entities. The researcher seeks to fill this gap in knowledge by answering the question: what are the determinants of procurement contract management of selected state corporations in Nakuru County?

General Research Objective

The general objective of the study is to examine the determinants of procurement contract management of selected state corporations in Nakuru County.

Specific Research Objectives

- (i) To examine the influence of compliance with contract conditions on procurement contract management of selected state corporations in Nakuru County
- (ii) To establish the influence of contract documentation on procurement contract management of selected state corporations in Nakuru County

Research Hypotheses

H₀₁: Compliance with contract conditions has no significant effect on procurement contract management of state corporations in Nakuru County.

H₀₂: Contract documentation has no significant effect on procurement contract management of state corporations in Nakuru County.

THEORETICAL REVIEW

The study was guided by McNeils Relation Contract Theory and the Principal-Agency Theory.

McNeils Relation Contract Theory

This theory was developed by Iain McNeils in the U.S.A. It is based on the assumption that all contracts can fall along a relational range from discrete-mere transaction-to highly relational (Diasthesopoulos, 2010). Although no contract can be totally separate from relational elements, some contracts are highly relational than others. Highly relational contracts are those that are strongly based on a specific social and economic context and on an on-going relation usually of trust between the parties that influences the scope and content of the contract. Procurement contracts fall in the category of highly relational contracts. The theory posit that to manage such contracts effectively, a set of common rules and norms that define the content of relation and each party obligations need to be established (Diasthesopoulos, 2010).

The Principal-Agency Theory

This theory was developed to explain and solve the challenge that arises when one entity (agent) is making decisions on behalf of another entity (principal). According to Salim (2013), the underlying principle of the principal -agency theory is that there should be a clear understanding of the needs of the principal and ability of the agent to meet these needs competently. Principal must closely monitor agents' performance; create reward structures that reinforce desired performance (Ketchen and Hult, 2006). Indeed, when procurement contract is well defined and planned, the principal and agents find it easy to meet needs of each other in an efficient way resulting into timely execution of the contract (Oluka and Basheka, 2012). The principal-agent theory can proudly be applied to this study with a case company as a principal and contractors or service providers or suppliers as agents. When contract requirements, CM team roles and responsibilities and KPIs are well defined, the principal and agents will find it easy to meet needs of each other in an efficient way resulting into timely execution of the contract in predetermined performance level.

EMPIRICAL LITERATURE REVIEW

According to Dmaidi, Dwaikat, & Shweiki (2013), there are two broad objectives of contract management. The first is the definition of the parties' roles with a view of achieving the contractual obligations while the second is the development of a mutually rewarding relationship between parties involved in contract. Aluonzi, Oluka, & Nduhura (2016) noted that contract management involves three diverse aspects; achievement of product quality, delivery on time and within the budget. In this context, Aluonzi et al., (2016) indicated that contract management is divided into the upstream/pre contract award activities and downstream/post contract award activities. Marco (2013) added that contract management involves the proactive management of the relationship between the parties in a contract with a view of anticipating future needs and managing arising risks with a view of improving the performance over the lifecycle of the contract.

In a study on the procurement contract management in public procurement, Kakwezi (2012) noted that contract management activities can be divided into three broad sections that is service delivery management, relationship management, and contract administration. In this context, the service delivery management involves the full management of all the contractual deliverables, performance levels of the contract as well as the contract quality. Silvana (2015) in a study on the contract management on private public partnership indicates that the aim of contract management is the optimization of the efficiency, effectiveness and economy of service

in contractual relationship, balancing costs against risks and actively manages the relationship between procurement parties.

Langat (2013) found that procurement performance involves the manner in which procurement function is able to reach the objectives and goals with minimum costs. The study examined procurement performance in terms of efficiency, competitiveness of services procured, quality of goods procured, and reduction of conflict of interests within the procurement activities. Masaba (2010) found that procurement performance can be measured using two metrics; effectiveness and efficiency. Effectiveness in procurement performance involves achievement of procurement values such as transparency, accountability and value for money. The efficiency aspects of procurement involve aspects such as adequate consideration of the user needs, efficiency in utilization of public resources and risk management. On the other hand, the study by Kamotho (2014) used metrics such as costs management, inventory levels, time taken to complete procurement process, delivery of best-value contracted goods and service, stronger vendor-buyer relationship, and assured supply to measure the effectiveness of procurement contract management.

Compliance with Contract terms and Conditions

Masiko (2013) study on procurement performance noted that procurement performance involves the execution of the procurement activities against set standards. These standards include accuracy, completeness, cost, speed, flexibility, quality of supplies, and supplier profile among many others. According Aberdeen Group (2006) compliance may be internal or external. Internal compliance can be interpreted as either conforming to the rules in the agreement by purchasing organization such as payment terms and minimum order requirements or in purchasing from agreement only, that is, purchasing by using framework agreements for the entire company (Telgen, 2004).

According to Aberdeen Group (2006), the use of framework agreements for the entire company can assist maintaining high contract compliance and reduction in purchasing costs. This can in turn increase the probability of project success. As far as the projects as concerned, external contract compliance can take up several forms including unavailability of products services or qualified personnel, charging prices different from the contracted prices, or late delivery or delivering products that do not meet the contracted specifications.

Rotich (2014) in a study on the contract management practice and operational performance of state corporations indicate that there are diverse aspects involved in contract management. These factors include contractor monitoring and acceptance management; managing the contractor relationship; contract administration; dispute resolution; and contract

closure (Vatankhah, Barati, Tofighi, & Rafii, 2012). The contractor monitoring involves the examination that the contractor is fulfilling the contractual obligation as agreed. This enables the identification of any emergent issues and quick resolution of those issues. On the other hand, contract administration involves the maintaining an updated form of the contract; controlling and managing contract variations; paying the contractor; managing assets; drafting reports; and terminating the contract.

Proper Documentation of Contract

Failure to understand the contract document may lead in unnecessary argument between parties and result in loss of reputation and business. Work break down structure of work contracts needs to be documented at each and every stage of implementation (Ndekugiri & Turner, 2014). This is key to effectively communicating the work progress to all key stakeholders and the expectation of each one of them in completion of the contract at the required time and in accordance to quality expectation (Ndekugiri and Turner 2014).

PRMPM (2008) asserts that organizations need to create and maintain authentic and reliable records and to protect the integrity of records as long as they are required. This would be done by ensuring that reliable records are created, preserved, accessed, maintained in a safe and secure environment, the integrity of records is safeguarded (complete and unaltered), comply with legal and regulatory environment, and provide an appropriate storage environment and media. Document and records storage may not feel like the most exciting work for your company, but it's one of the most important things in your business that needs to be maintained and managed. Companies can use record storage solutions and records management companies to free up space in their office, optimize workflows, and securely store critical and inactive files (Chandra, 2008).

Contractual obligation by any party in any contract is thrown into a questionable state if the understanding of the terms and interpretation of the contents of the contract documents are not fully appreciated (Mchopa, 2015). The contract documents should fulfill the intended roles of being the references and guidelines for the relationships between the contracting parties throughout the project. To understand the contract requirements is to understand the contents of the documents and the spirit of the contractual relationships. Contracts are formed and signed based on the fair basis where parties agree amicably to discharge their obligations to satisfy each other's needs and requirements (Rotich, 2012). Understanding of contract documents is very important in order to achieve effective outputs in contract implementations.

In their study based on panel interview with construction industry experts, Davis, Love, and Baccarini (2008) found that inadequate understanding of contract documents lead to

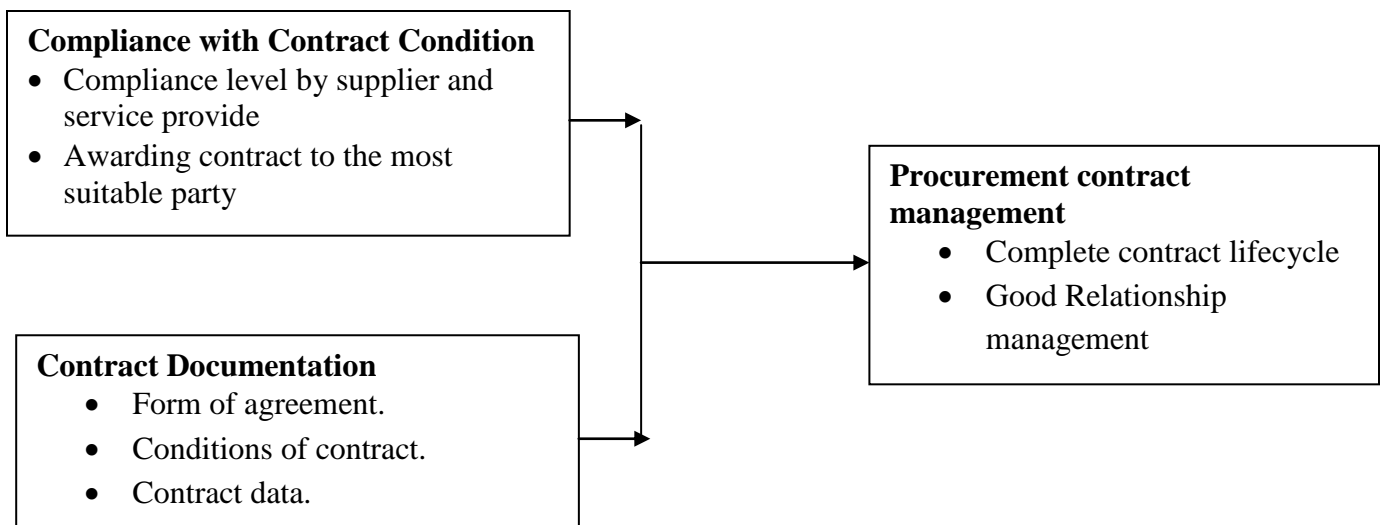
serious contractual problems and the output of the projects was affected in term of quality, cost and time. The panels also agreed that the level of understanding of contract document has to be improved for best output of the contract practice with regard to cost, quality and time. Complexity of contract documents was also found to have an influence on the ability of contracting party to understand the contract documents. This is particularly true when contract documents have a lot of legal jargons and phrases sometimes may have irrelevant materials associated to it (Davis et al., 2008). Similarly, the presence of irrelevant materials often leads to the misinterpretation of the actual need of the contract.

Other factors that have the potential of influencing the understanding of the contract document include the use of difficult languages, unclear and illogical specifications, and limited knowledge of the various types of contracts (Hawkins & Muir, 2014). The clarity of the contract documents is also considered an important factor determining the understanding of contract documents. Clarity means easy to understand and parties have no difficulty in translating the documents (Rotich, 2012).

Research Gaps

Most research regarding contract management have tended to focus on small and medium sized enterprise as opposed to large companies, (Williamson & Ram, 2009) investigated the implementation of compliance on contract terms among small and medium sized enterprises. Others have been with respect to the effect of best procurement practices on profitability (Hassanzadeh, 2010) and others on quality improvement on contract management (Liker, 2004). It is evident that no research has been done on the determinants of contract management of state corporation. This study attempts to fill this gap.

Figure 1. Conceptual Framework



RESEARCH METHODOLOGY

This study adopted descriptive research design. A descriptive research design involves the collection of data to answer research questions, or to offer solutions to an impending problem that is being studied (Mugenda & Mugenda, 2003). It focuses on examining the research phenomenon as it exist in its natural setting.

Target Population

The target population of this study comprised of 28 procurement staff, 28 finance staff and 30 senior administrators from the 10 selected state corporations in Nakuru County. Table 1 indicates the number of procurement officers from the selected state corporations in Nakuru County. The researcher used census technique to incorporate the entire target population into the study. According to Mugenda (2001) census is sampling technique whereby every member or item of the population is surveyed. The study used census to select all the 86 selected officers.

Data Collection Instruments and Procedure

The study utilized a self-designed structured questionnaire as the main instrument for data collection. Kothari (2004) indicates that a questionnaire is a cost efficient method to collecting information particularly from a huge group of respondents. It also facilitates anonymity. The questionnaire was administered on a drop and pick later basis. A pilot survey was conducted to examine the reliability of the questionnaire. The Cronback alpha method was used to test for reliability. Table 1 presents the outcome of the tests.

Table 1: Reliability Statistics

Variable	Number of Items	Cronbach's Alpha
Contract documentation	4	0.7652
Contract Management	4	0.8645
Compliance with contract conditions	4	0.8154

RESEARCH FINDINGS AND DISCUSSION

Response Rate

From a total of 86 questionnaires that were distributed to the potential respondents, 71 questionnaires were duly completed and returned. Absence of missing values was the main criterion that was used to determine a questionnaire is duly completed. A response rate of

82.5% was achieved which is considered sufficient by Bergh & Ketchen (2009) as it was above 80%.

Background Characteristics

The background characteristics were examined using gender distribution, age distribution, education qualification, and length of period worked at the firm.

Gender Distribution

In respect to the gender distribution, 60.5% of the respondents were male compared to 39.5% of the respondents who were female members. The high number of the male respondents can be attributed to the riskiness of the job in the recent years where several procurement officers have been prosecuted in the recent years on procurement challenges.

Table 2: Gender Distribution

	Frequency	Percentage
Male	43	60.5%
Female	28	39.5%
Total	71	100.0%

Age Distribution

A majority of the respondents (38%) were between 26 to 35 years of age compared to 18.3% at 18-25 years, 33.8% at 36-45 years of age, and 9.9% at over 45 years of age.

Table 3: Age Distribution

	Frequency	Percentage
18-25 Years	13	18.3
26-35 Years	27	38.0
36-45 Years	24	33.8
Over 45 Years	7	9.9
Total	71	100.0%

Education Qualification

About 4.2% of the respondents had secondary qualification, 29.5% with college qualification, 46.4% with undergraduate qualification and 19.9% of the respondents with post graduate

qualification. The high number of respondents with degree level is in tandem with the increasing levels of persons with high education qualification in Kenya.

Table 4: Education Qualification

	Frequency	Percentage
Secondary	3	4.2%
College	21	29.5%
Undergraduate	33	46.4%
Post Graduate	14	19.9%
Total	71	100%

Length of Time Worked at the Firm

The length of time worked at the firm is important in indicating the knowledge level of the respondents in relations to contract management aspects within the organization. A majority of the respondents (46.4%) had worked for between 6-10 years compared less than a year (8.4%), 2-5 years (28.1%), and over 10 years (17.1%).

Table 5: Length of Time Worked at the Firm

	Frequency	Percentage
Less than 1 Year	6	8.4%
2-5 Years	20	28.1%
6-10 Years	33	46.4%
Over 10 Years	12	17.1%
Total	71	100.0%

Descriptive Statistics

Compliance with Contract Terms and Conditions

The compliance with contract conditions was examined using five metrics as shown in Table 6. In respect to the compliance levels by supplier/service provider being on influence to the effective contract management, a majority of 56.3% indicated that it impacted to a Strongly Agree and a further 33.8% indicated the influence was agreed upon. On the extent of the organization comply with the contract conditions by awarding the contract to the most suitable party, a majority of 43.7% indicated that it impacted on contract management to a strongly agree and a further 35.2% indicated the influence was agreed upon.

The compliance with the general contract's conditions had 46.5% and 43.7% of the respondents indicating that it impacted on contract management to a great and Strongly Agree

respectively. In respect to compliance with the specific contract's conditions, 2.8%, 7.0%, 49.3%, and 40.8% of the respondents indicated that this metric impacted on contract management to a Disagree, Neutral, Agree and Strongly Agree respectively. Finally, in relations to the enforcement levels of compliance with contract conditions, 4.2%, 29.6%, and 66.2% of the respondents indicated that the metric impacted on contract management to Neutral, Agree and Strongly Agree respectively.

Table 6: Descriptive Analysis of Compliance Level

	1	2	3	4	5
Compliance with the contract conditions by the supplier/service provider enhance procurement contract management	1 (1.4%)	2 (2.8%)	4 (5.6%)	24 (33.8%)	40 (56.3%)
The organization comply with the contract conditions by awarding the contract to the most suitable party	0 (0.0%)	3 (4.2%)	12 (16.9%)	25 (35.2%)	31 (43.7%)
Compliance with the general contract's conditions	0 (0.0%)	2 (2.8%)	5 (7.0%)	33 (46.5%)	31 (43.7%)
Compliance with the specific contract's conditions	0 (0.0%)	2 (2.8%)	5 (7.0%)	35 (49.3%)	29 (40.8%)
Enforcement levels of compliance with contract conditions	0 (0.0%)	0 (0.0%)	3 (4.2%)	21 (29.6%)	47 (66.2%)

Key: 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1 = Strongly Disagree

Contract Documentation

The influence of contract documentation on contract management was examined using five metrics as shown in Table 7. A majority of the respondents at 47.9% indicated that the Failure to understand the contract document may lead in unnecessary argument between parties and result in loss of reputation and business. Impacted on contract management was agreed upon while 32.4% indicated that it was to a Strongly Agree.

In respect to the documentation of contract implementation of work in progress influence on procurement contract management, a majority of respondents at 46.5% indicated that the metric impacted on effective contract management was agreed upon while 36.6% indicated it was to a Strongly Agree. The respondents of the extent to which Failure to understand the contract document potentially leads to mistakes in implementation of contract which caused unnecessary rework and increase in project cost influenced contract management had 23.9%,

45.1%, and 25.4% of the respondents indicating that it was to a Neutral, Agree and Strongly Agree respectively.

On the other in respect to the extent in which understanding of contract document is very relevant and important in order to sustain the desired cost, time and quality in contract implementation influenced contract management, 15.5%, 56.3%, and 25.4% of the respondents indicated that it was to a Neutral, Agree, and Strongly Agree respectively. Finally, in respect to the For effective implementation of a contract the contractor must have the ability to understand the contract document thoroughly, 1.4%, 7.0%, 16.9%, 52.1%, and 22.5% of the respondents indicated that it impacted on contract management to a Neutral, Disagree, Neutral, Agree and Strongly Agree respectively.

Table 7: Descriptive Analysis of Contract Documentation

	1	2	3	4	5
Failure to understand the contract document may lead in unnecessary argument between parties and result in loss of reputation and business.	2 (2.8%)	5 (7.0%)	7 (9.9%)	34 (47.9%)	23 (32.4%)
Failure to understand the contract document lead in misinterpretation of the needs of the contract which result in loss of trust among the contracting parties	1 (1.4%)	6 (8.5%)	5 (7.0%)	33 (46.5%)	26 (36.6%)
Failure to understand the contract document potentially leads to mistakes in implementation of contract which caused unnecessary rework and increase in project cost.	1 (1.4%)	3 (4.2%)	17 (23.9%)	32 (45.1%)	18 (25.4%)
Understanding of contract document is very relevant and important in order to sustain the desired cost, time and quality in contract implementation	0 (0.0%)	2 (2.8%)	11 (15.5%)	40 (56.3%)	18 (25.4%)
For effective implementation of a contract the contractor must have the ability to understand the contract document thoroughly	1 (1.4%)	5 (7.0%)	12 (16.9%)	37 (52.1%)	16 (22.5%)

Key: 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1 = Strongly Disagree

Contract Management Effectiveness

Contract management effectiveness was examined using five metrics as shown in Table 8. The formulation of elaborate key performance indicators in a contract had a majority of 49.3% of the respondents indicating that Compliance with contract terms and conditions, contract documentation, cost management, and contract monitoring impacted on it to a Strongly Agree. This is compared to 32.4%, 12.7%, 2.8%, and 2.8% of the respondents who indicated that the impact was Agree, Neutral, Disagree, and no extent respectively. The independent variables impacted on achievement of procured product and services quality to no extent (5.6%), Disagree (8.5%), Neutral (16.9%), Agree (28.2%), and Strongly Agree (40.8%). The independent variables impacted on the maintenance of good relationship between contract parties to Disagree (1.4%), Neutral (11.3%), Agree (35.2%), and Strongly Agree (52.1%). The independent variables impacted on the due process followed and communicated against contract changes to no extent (5.6%), Disagree (11.3%), Neutral (16.9%), Agree (43.7%), and Strongly Agree (22.5%). Finally, the independent variables impacted on the Low supplier defect Supplier defect rate to a Disagree (5.6%), Neutral (25.4%), Agree (31.0%), and Strongly Agree (38.0%).

Table 8: Descriptive Analysis of Contract Management Effectiveness

	1	2	3	4	5
Formulation of an elaborate key performance indicators in a contract	2 (2.8%)	2 (2.8%)	9 (12.7%)	23 (32.4%)	35 (49.3%)
Achievement of procured product and services quality	4 (5.6%)	6 (8.5%)	12 (16.9%)	20 (28.2%)	29 (40.8%)
Maintenance of good relationship between contract parties	0 (0.0%)	1 (1.4%)	8 (11.3%)	25 (35.2%)	37 (52.1%)
Due process followed and communicated against contract changes	4 (5.6%)	8 (11.3%)	12 (16.9%)	31 (43.7%)	16 (22.5%)
Low supplier defect Supplier defect rate is low	0 (0.0%)	4 (5.6%)	18 (25.4%)	22 (31.0%)	27 (38.0%)

Key: 5= Strongly Agree, 4= Agree, 3= Neutral, 2= Disagree and 1 = Strongly Disagree

Inferential Analysis

The multiple linear regression was run for the purpose of examining the influence of the independent variables on the dependent variable. The coefficient of determination (R Square) of

0.727 indicated that the independent variables within the model (compliance with terms and conditions and documentation) explained 72.7% of the variance in the dependent variable.

Table 9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.476 ^a	.727	.680	.55858

a. Predictors: (Constant), Contract Documentation, Compliance With Contract Conditions

Contrary to expectation, compliance with contract terms and condition had a negative beta coefficient of -0.200, which implies that a unit increase in compliance levels with contract conditions with the other variables left constant would lead to a -0.200 decrease in the effectiveness of contract management. This implies that compliance with contract conditions on its own is not sufficient to lead to a positive influence on the contract management and the metric would only lead to a positive influence in collaboration with other independent metrics. The p-value for compliance was 0.045, which suggest that there is a statistically significant relationship between compliance and contract management effectiveness. The first null hypothesis is therefore rejected.

Table 10: Regression Coefficients

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
	(Constant)	3.821	.951		4.019	0.000
1	Compliance	-.200	.126	-.182	-2.083	0.045
	Documentation	.243	.117	.255	2.073	0.042

a. Dependent Variable: Contract Management Effectiveness

The regression coefficient of 0.243 for the contract documentation implies that a unit increase in contract documentation would lead to a 0.243 increase in the effectiveness of contract management with the other independent variables kept constant. The p-value for documentation is 0.042 suggesting the existence of a statistically significant relationship between documentation and contract management effectiveness. This finding also leads to the rejection of the second null hypothesis.

CONCLUSION

From the findings, the researcher concluded that compliance with the contract conditions by the supplier/service provider does not enhance the effectiveness of procurement contract management in state corporations. However, the quality of contract documentation has enhances the procurement contract management process. Inadequate understanding of the contract document potentially leads to mistakes in implementation of contract which caused unnecessary rework and increase in project cost. Understanding of contract document is relevant in sustaining the desired cost, time and quality in contract implementation. For effective implementation of a contract the procuring entity must generate clear and succinct contract documents. The contractor must also have the ability to understand the contract document thoroughly.

RECOMMENDATIONS

The study recommends that in order for the state corporations to improve on contract management, the state corporations must place emphasis on improving the quality of contract documentation. Emphasize should be placed on the need for contractors to review and understand the contract requirement including the case company invoicing requirements during kick-off meetings. This will act as reminder for contractors to meet the contract requirements.

Before a contract is awarded to a new contractor, state corporations should get recommendation from their previous clients for their capability in delivering service or goods ; Physical site visit to the shortlisted potential bidders should be done to verify what had been submitted in bidding documents prior to award of contract; Whenever there is significant difference in total contract amount offered by bidders, then the rates for the lowest technically compliant bidder has to be checked and verified if they are within the market range.

SCOPE FOR FURTHER STUDIES

Contrary to expectation, findings reveal the existence of a negative and statistically significant relationship between compliance with contract terms and condition and the effectiveness of the contract management process. Future studies should interrogate this relationship further. Future studies should also consider replicating this study in state corporations located in other counties in order to support the generalization of findings.

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