

# INFLUENCE OF CONTRACT MANAGEMENT PRACTICES ON PROCUREMENT PERFORMANCE OF COUNTY GOVERNMENT IN KENYA

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**Abstract:** 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. Nevertheless, contract management is sensible if it makes a positive impact on the County government in terms of procurement performance. The general objective of this study was to determine the influence of contract management practices on procurement performance of County Government in Kenya. The study was guided by the following objectives: to establish the effect of contract monitoring on the procurement performance of County Government in Kenya; to determine the effect of managerial capacity on the procurement performance of County Government in Kenya; to find out the effect of contract relationship on the procurement performance of County Government in Kenya and finally to investigate the effect of contract planning on the procurement performance of County Government in Kenya. The conceptual scope of this study was limited to four contract management practices namely contract monitoring, managerial capacity, contract relationship and contract planning. This study targeted staff of Garissa County and composed of senior staff management, middle level staff management and operational staff. The study employed descriptive survey design. The researcher used questionnaires as research instruments to collect data to the study. The study adopted both primary and secondary data analysis research design. Primary data will be collected using semi structured questionnaires containing both closed and open ended questions to allow variety. The quantitative data was analyzed using descriptive statistics. In addition the study used multiple regression analysis to analyze the data. This study concluded that contract monitoring significantly and positively influenced procurement performance of County Government in Kenya. The study further concluded that managerial capacity has a significant and a positive effect on infrastructure projects in Kitui County. The study also concluded that contract relationship had significant and a positive effect on procurement performance of County Government in Kenya. The study finally concluded that Contract planning had a significant and positive effect on the procurement performance of County Government in Kenya. The study recommends that County Government should put in place control and monitoring management strategies. It is also recommended that the capacity of technical staff be developed through training so as to fully understand and accurately implement provisions of the contract. Stringent procurement performance measures should also be provided within contract clauses so that intentionally erring officials are adequately punished. The study also recommended that County Governments in the country should make a deliberate effort to involve all relevant stakeholders during the project process up to closure so that projects are owned by them and sustainability plans can be easily made and implemented. Finally, It was recommended that the County Governments develop a full and comprehensive contract portfolio of the contract needs of the organisation before embarking onto any contract activity.

**Keywords:** Contract monitoring, Managerial capacity, Contract relationship and contract planning.

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## 1. INTRODUCTION

In this dynamic and competitive business environment, 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. One way of realizing this is by ensuring effective and efficient service delivery to the citizens through its agencies. This explains the presence of 47 County Government in Kenya. In a bid to meet its objectives, the government allocates funds to the County Government 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 (PPDA, 2015).

### Statement of the problem

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. Currently, Kenya loses billions of taxpayers' money to improper procurement process, specifically poor contract management practices. This commonly happens in the country's County Government due to issues, such as, 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.

A World Bank survey (2018), of government and civil representatives in the 60 developing countries confirmed that misappropriation of resources is one of the greatest obstacles to successful contract management. The procurement function of an enterprise is one area that is targeted second most by fraudsters (Plavsic, 2014). In Kenya County Government 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, 2018). However, County Government in Kenya have been experiencing a myriad of problems including corruption, nepotism and mismanagement (Rotich, 2011).

The Systems Audit for State law Office (SLO), 2017/2018 Report revealed losses of Kshs 18 million through irregular procurements in financial year (FY) 2016/2017. Earlier, in FY 2014/2013, SLO had lost Kshs 8 million due to inefficiencies. This raises questions on the level of prudent contract management practices of SLO's procurement system at County Government. The situation is one of loss, fraud, theft and gross mismanagement which are hampering improved and sustained procurement performance and service delivery (PPOA, 2018). The government reiterates in the economic recovery strategy some of the factors that adversely affect the performance of the County Government. These include excessive regulations and controls, frequent political interference, poor management, outright mismanagement and bloated staff establishment (GoK, 2012).

Various studies on decentralization and performance of county governments have been conducted locally. Some include; Wamae, (2014) who studied role of procurement function in enhancing performance in devolved government. Mugambi and Theuri (2014) studied challenges encountered by devolved governments in Kenya in contract management. Muriu R. (2012) did a study on the nature and influence of contract management on decentralized service delivery in Kenya. These studies however focused narrowly on the subject of contract management practices and their effect on performance of county governments. They dwelt on single function or variable which cannot be taken as representative of the overall performance measurement. There is still a gap in knowledge that has to be filled in view of the performance of county governments in Kenya based on the decentralized operations. The research question was what is the influence of contract management practices on procurement performance of County Government in Kenya?

### Objectives

- i. To establish the effect of contract monitoring on the procurement performance of County Government in Kenya
- ii. To determine the effect of managerial capacity on the procurement performance of County Government in Kenya

- iii. To find out the effect of contract relationship on the procurement performance of County Government in Kenya
- iv. To investigate the effect of contract planning on the procurement performance of County Government in Kenya

## 2. THEORETICAL REVIEW

### Theory of Change

The theory popularized by Carol Weiss in 1995, conjectures that a key motivation behind why complex contract are so hard to assess is that the presumptions that rouse them are ineffectively enunciated. Hypothesis of Change clarifies the procedure of progress by sketching out causal linkages in an activity, i.e., its shorter-term, middle of the road, and longer-term results. The distinguished changes are mapped as the "outcomes pathway" demonstrating every result in intelligent relationship to all the others, and additionally sequential stream. Monitoring is concerned with assessing how change occurs within the components of the contract and the surrounding environment, which was considered as a result of the interventions from the contract. A theory of change is a model that explains how an intervention is expected to lead to intended or observed impacts and utility. Often referred to as the program theory, results chain, program logic model or attribution logic (TOC origins 2015), the theory of change illustrates the series of assumptions and links identifying the presumed relationships and has great relevance to planning and coordination as well as research and surveillance.

### Competency Theory

The work of McClelland & McBer in the 1980s established the competence theory. The authors defined competency as the underlying characteristic of an individual that is causally related to criterion-referenced effective and/or superior performance in a job or situation. Since then a number of competency frameworks have been developed by different project management institutes. Crawford (as cited in Boyatzis, 1982 & Spencer, 1993), puts a model of competence that integrates knowledge, skills, demonstrable performance, and core personality characteristics, noting the last, personality characteristics, as challenging to develop and assess through training.

### Stakeholders Theory

This theory was proposed by Freeman in 1984. The general idea of the stakeholder concept is a redefinition of the organization. In general the concept is about what the organization would be and how it should be conceptualized. Friedman (2006), states that the organization itself should be thought of as a grouping of stakeholders and the purpose of the organization should be to manage their interests, needs and viewpoints. This stakeholder management is thought to be fulfilled by the management of the organization. The managers should on one hand manage the corporation for the benefit of its stakeholders in order to ensure their rights and the participation in decision making and on the other hand the management must act as the stakeholder's agent to ensure the survival of the firm and safeguard long-term stakes of each group (Friedman, 2006).

### Contingency Theory

According to Hoffer (1995) contingency theory implies that firms adapt to changes in their environment by modifying their approach to competition in order to maintain or enhance performance. The willingness and ability of organizations to deal with changes in their operating environment has been documented as a cornerstone of firm strategy and performance. Contingency theory provides a basic rationale for emphasis on flexibility-based strategies that represent a strategic response to emerging threats argued that firms utilize resources as necessary to achieve specified objectives within a specific competitive environment and under specific conditions (Porter, 1990).

### Conceptual Framework

A conceptual framework may be defined as an end result of bringing together a number of related concepts to explain or predict a given event, or give a broader understanding of the phenomenon of interest – or simply, of a research problem. Thus, a conceptual framework is derived from concepts (Imenda, 2014).

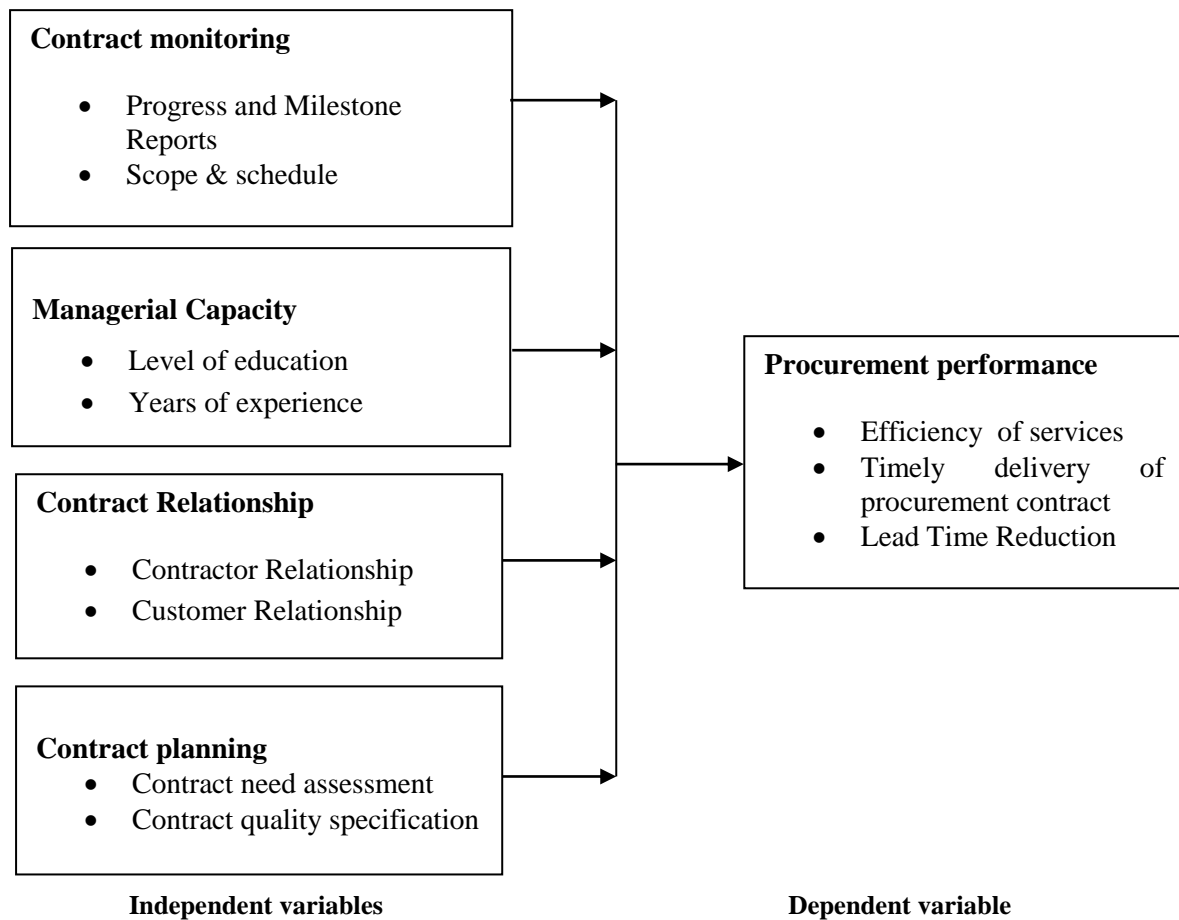


Figure 2.1: Conceptual framework

### Research Gaps

Majority of previous empirical studies on contract management practices have been conducted in developed or developing countries of Asia and Latin America (Kyriacou& Roca-Sagale's, 2011; Wei-qing& Shi, 2010). There is relatively small body of work and attempts to systematically examine the evidence of contract management practices in Sub-Saharan Africa. Consequently, the link between contract management practices and the procurement performance of County government in the context of Sub-Saharan Africa is scarcely explored. Only a limited number of studies have so far examined the impact of contract management practices on the procurement performance of County government in the context of Sub-Saharan Africa (Balunywa et al., 2014; Tshukudu, 2014). The near absence of research in Africa in this area raise a question as to whether County government influences procurement performance in Africa. Empirical findings in developed countries may not be generalized in developing countries due to different cultural and political context. Further, there is also the need to test if contract management frameworks, models or theories developed in western countries are applicable in poor African countries. Hence, this study intends to bridge the knowledge gap by establishing the effect of contract management practices on the performance of County government in a less developed, non-Western context like the Kenyan context.

### 3. RESEARCH METHODOLOGY

This study adopted a descriptive research design. The target population was 600 staffs of Garissa County government who previously participated in the contract, budgeting, procurement, financial reporting and resource utilization and project implementation for the last five years. Those staffs composed of senior county staffs, middle level county staffs and operational staff county staffs. The strata's was the 10 departments in the county government of Garissa County. This study utilized a sample size of 180. The use of 180 respondents in the study was justified as it was in

line with the recommendations of Mugenda and Mugenda (2009) who indicated that a descriptive study should include at least 10-30% of the total population. The researcher used questionnaires and secondary data as the research instrument to gather the relevant information needed related to the study. For this research both primary and secondary data collecting methods was used. Primary data was collected through the administration of questionnaires to senior management bank employees. The study carried out a pilot test to test the validity and reliability of the questionnaires in gathering the data required for purposes of the study. The information gathered from the respondents was of a qualitative and quantitative nature. The data was summarized and then analyzed by the use of descriptive statistics comprising of tables, graphs and percentages. The MS Excel, statistical software was used to analyze the collected information. This is because the MS Excel provides simplified analysis that is easy to interpret and present.

### Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where,

Y = Procurement performance of County government

$\beta_0$  = Constant

$\beta_i$  = Regression coefficients

$X_1$  = Contract monitoring

$X_2$  = Managerial relationship

$X_3$  = Contract relationship

$X_4$  = Contract planning

$\varepsilon$  = Error term

## 4. RESULTS

### Regression Results

**Table 4.1: Significance of Independent Variables**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.016	.047		.000	.000
1 Contract monitoring	.650	.075	.575	8.719	.002
Managerial capacity	.462	.088	.505	5.259	.001
Contract relationship	.202	.092	.233	.200	.003
Contract planning	.077	.070	.097	1.107	.001

a. Dependent Variable: Procurement performance

The results in Table 4.1 indicate that contract monitoring significantly and positively influenced procurement performance of County Government in Kenya. This implies that proper and effective management and monitoring of contracts helps improve the quality of goods and services and reduces procurement cost, thus achieving three broad goals: quality products and services, timely delivery of products and services, and cost effectiveness.

Managerial capacity has a significant and a positive effect on infrastructure projects in Kitui County. This implies that contract monitoring ensures quality of services/goods offered. Contract monitoring guarantee timely expenditure in contract execution and also enhance relationship between the parties

Contract relationship had significant and a positive effect on procurement performance of County Government in Kenya. This implies that contract relationship plays a vital role in saving costs and increasing of procurement performance in organizations. To manage supplier relations organizations can employ a variety of strategies such as, Contractor segmentation, governance, contractor performance management, and contractor development

Contract planning had a significant and positive effect on the procurement performance of County Government in Kenya. This implies that contract planning shapes the future of an organization towards procurement success. This is achieved when good contract plans are formulated and implemented well leading to strategic decisions which influence and serve to determine the characteristics of the firm well into the future. As a whole, contract planning organizes and provides a clear direction for an organization

## 5. CONCLUSION

This study concluded that contract monitoring significantly and positively influenced procurement performance of County Government in Kenya. The study further concluded that managerial capacity has a significant and a positive effect on infrastructure projects in Kitui County. The study also concluded that contract relationship had significant and a positive effect on procurement performance of County Government in Kenya. The study finally concluded that Contract planning had a significant and positive effect on the procurement performance of County Government in Kenya. The study recommends that County Government should put in place control and monitoring management strategies. It is also recommended that the capacity of technical staff be developed through training so as to fully understand and accurately implement provisions of the contract. Stringent procurement performance measures should also be provided within contract clauses so that intentionally erring officials are adequately punished. The study also recommended that County Governments in the country should make a deliberate effort to involve all relevant stakeholders during the project process up to closure so that projects are owned by them and sustainability plans can be easily made and implemented. Finally, it was recommended that the County Governments develop a full and comprehensive contract portfolio of the contract needs of the organisation before embarking onto any contract activity.

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