

EFFECT OF PROCUREMENT CONTRACT MANAGEMENT ON PERFORMANCE OF COMMERCIAL STATE CORPORATIONS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Procurement contract management constitutes the most significant part of current assets at Commercial state corporations. The general objective of this study was to determine the role of procurement contract management on performance of commercial state corporations in Nairobi County. The specific objectives included: to determine the role of contract structure on firm Performance, to evaluate the effect of contract monitoring on firm Performance. The research design used in this study was descriptive in nature that adopted qualitative and quantitative research strategies in order to find the solution to the study problem. The target population was all 112 heads from 28 commercial state corporations in Nairobi City County. The sample size of the study was 88 respondents. The research focused on primary data that was collected from questionnaires. The researcher used descriptive and inferential statistics to analyse the quantitative data. The study concludes that contract structure has a positive and significant influence on performance of commercial state corporations in Nairobi City County. In addition, the study concludes that contract monitoring has a positive and significant influence on performance of commercial state corporations in Nairobi City County. In line with the study results, it is recommended that the management of the commercial state corporations should ensure better contract terms and contract negotiations to improving organization performance and should also formulate and implement better contract inspection methods, contract dispute resolution, and ensure contract adherence to improve organization performance.

Keywords: *Procurement Contract Management, Contract Structure, Contract Monitoring Performance*

Background of the Study

In the past, procurement contract management was not seen to be necessary the world over. Globally, procurement contract need to be tailored to enhance the fulfillment of different project objectives. As a result of globalization, today firms have started to embrace effective

procurement contract management strategies (Susan & Michael, 2017). Managers, now more than ever before, need reliable and effective procurement contract management strategies in order to reduce costs and remain competitive (Mohd Lair *et al.*, 2014). Procurement contract management is critical to an organizations success in today's competitive and dynamic market. The idea of contract management is directly associated with the performance of the business. Various benefits through procurement contract management for the business organizations are identified in present literature (Maroofi, Ardalan, & Tabarzadi, 2017; Kucuk-kocaoglu & Bozkurt, 2018; Maldonado-Guzman *et al.*, 2018). For instance, proper procurement contract management can significantly lower the factor of risk and uncertainty for the business and customer as well (Haapio & Siedel, 2017; Mo *et al.*, 2017; Wiengarten *et al.*, 2016).

Due to the high complexities in the supply chain function, ever changing technology, intense competition and the economic reforms in the recent past, there is need for organizations to develop and implement practices in the organization in order to enhance their performance. Procurement contract management should not to be undermined as it is essential and critical resources for the performance of the organizations; hence there is need for the firms to effectively manage procurement contract as it directly affects the efficiency and effectiveness of the operations in the organization, which ultimately affects the sustainability and performance of the firm (Paulraj & Chen, 2017). Efficient and effective management of the procurement contracts in the organization can enable a firm to achieve a sustainable competitive edge and foster customer values through optimal levels of the stocks in the firm that reduces the operations costs while meeting and exceeding customers demand (Devaraj *et al.*, 2017).

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 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 (PPDA, 2015).

There is a recognized correlation relationship between procurement contract management practices and performance of the firms. It is prudent for the cerement of goods and services in the commercial state corporations to be managed and controlled in order to influence the performance of the firm, for the commercial state corporations are essential in the development of the economy; thus there is need to develop and implement procurement contract management practices that will influence the performance of the firm and enhance competitive advantage of the commercial state corporations

Statement of the Problem

Kenya loses a lot of taxpayers' money due to improper procurement contract management practices, specifically because of poor contract management strategies. Procurements at the commercial state corporation have not escaped the allegations of corruption, inefficiencies and

unethical behavior. There has been a challenge in the commercial state corporations whereby the performance has been deteriorating at an alarming state. For instance, in 2017, the performance index of commercial State Corporations in Kenya was at 68%, which decreased to 57.3% in 2018 and further dipped to 44.3% in 2019. In addition, the performance index on the efficiency, effectiveness and economic use of resources in State Corporations in Kenya declined from 88.7% in 2016 to 68% in 2017 and to 57.3% in 2018 (Public Service Commission, 2019).

The declining performance in commercial state corporations has been attributed to ineffective procurement contract management being exercised. For example, the National Cereals and Produce Board (NCPB) maize scandal some Shs1.9 billion was allegedly stolen in a conspiracy between the National Cereals and Produce Board officials and unscrupulous traders. In addition, PWC (2021) reports that in the year 2019 the planned merger of Airtel and Telkom Kenya was suspended following alleged corruption in the deal as well as failure to observe procurement procedures. Kenya pipeline company alleged oil spill scandal of Shs2.1 billion (Nation Media 2018). Kenya Power and Lightning Company (KPLC) was in 2020 involved in a Shs1 billion pre-paid token generation revenue fraud. This is common in its commercial state corporations and some of the causes include corruption, litigations, contract cancellations, delay in completion of projects and substandard service or product delivery (Gordon, 2019).

According to Cho and Pucick (2017), contract management improves an organization's operational performance as indicated by various measures, such as, quality, flexibility, speed, efficiency, and supplier relationship. There are several studies that have been conducted on procurement contract management, for instance Kamau and Kagiri (2015) carried as study on influence of procurement contract management practices on organization's competitiveness in Safaricom. A study done by Kikwezi (2016) was on procurement contract management in public procurement and disposal entities. Rotich (2018) studied factors affecting contract management in public procurement sector in Kenya. Naliaka and Namusonge (2015) explored procurement contract management and its role on competitive advantage of manufacturing firms. Despite local studies showing importance of contract management, very few have touched on procurement contract management. They failed to show the role of procurement contract management on firm Performance in state corporations in Kenya. This study therefore sought to fill this research gap by establishing the role of procurement contract management on performance of commercial state corporations in Nairobi County, Kenya.

General Objective

The general objective of this study was to determine the effect of procurement contract management on performance of commercial state corporations in Nairobi County.

Specific Objectives

The specific objectives include:

- To determine the effect of contract structure on performance of commercial state corporations in Nairobi city County.
- To evaluate the effect of contract monitoring on performance of commercial state corporations in Nairobi city County.

Theoretical Framework

The Transaction Cost Economics (TCE)

The Transaction Cost Economics Theory was developed by Coase (1937) and were additionally created by Williamson (1994). Transaction Cost Economics (TCE) inspects how business partners who collaborate with each other shield one another from harmful subsidiary with

differing relationships. It has been the most important new institutional theory that puts the accentuation on the decision on the sourcing predicament, if to outsource or not. For a business to pick whether to play out a specific action, value-based cost examination turns out to be significant.

The hypothesis utilizes exchange as the unit of investigation and partitions exchange costs into creation and co-appointment costs. As indicated by the hypothesis, exchange expenses emerge at contracting (drafting, arrangement and protecting) or at execution (mal-selection, wheeling and dealing and foundation, operational and holding 15 costs). Chiefs must gauge and contrast the expenses related and executing an exchange inside their organizations (in-house) and re-appropriating. The establishments of TCE were derived by scholar Cease in (1937) and were additionally created by Williamson (1994). On a very basic level, TCE proposes that exchange costs identified with supplies affect the underlying choice in the market.

The exchange costs investigation encourages in choosing whether to perform movement in-house or re-appropriate from outsider. As per TCE, there are five determinants of exchange costs, in particular exchange recurrence, resource explicitness, vulnerability, limited sanity, and astute conduct. Exchange recurrence is the manner by which regularly the gatherings associated with an agreement communicate (Ballou, 2019). Resource explicitness alludes to the peculiar interests in an organization that cannot be redeployed, for example, preparing and exceptional hardware. Vulnerability might be additionally partitioned into ecological vulnerability and conduct vulnerability.

Natural vulnerability alludes to conditions encompassing a trade that cannot be determined ex-risk and social vulnerability alludes to the trouble in confirming whether consistence with set up understandings has happened (Yazdanparast, Manuj & Swartz, 2015). Limited level headedness implies that leaders have a limitation on their subjective capacities (or have restricted data handling capacity) and cut-off points on their judiciousness. Advantage expresses that given the chance; managers may deceitfully look to serve their personal interest (Yazdanparast *et al.*, 2015). From the perspective of assets and time interests in a relationship, the attributes of an exchange can help us in distinguishing the method of administration. Be that as it may, improvement of close and suffering between hierarchical ties, for example, through data sharing and joint arranging has been proposed as a substitute for vertical mix (Chang & Liang, 2015).

Notwithstanding vertical joining, TCE has been utilized to explore vertical between authoritative connections and flat between hierarchical connections. This is intriguing in light of the fact that logistics specialist co-op might assume the two jobs in a relationship (Crema & Verbano, 2015). By lessening the provider base of transport firms and going into long term and short term participation of key suppliers in a firm may decrease the exchange costs identified with gathering data about various providers, the expenses of arranging and composing an agreement, and the implementation costs after the arrangement of an agreement.

TCE helps to determine the levels of successes of any supply chain in a firm. It is used in determining as to whether to select a certain supplier or not based on the major goal of cost saving in the organization. According to Dagba and Dagba (2018), costs advantages over competitors are the underlying reasons to why firms carry out supplier evaluation. Thus, the theory advocates for the use of systems to reduce costs. Therefore, this theory is linked to contract structure whereby organization negotiates the contract terms payment, contract changes and cost implication with view of reducing cost in procurement function within the organization. It also links on contract changes as to determine cost implication or contract modification with

view to mitigate cost.

The Principal-Agency Theory

Principal agency theory was developed by Jensen and Meckling (1976). This theory is based on the separation of ownership and control of economic activities between the agent and the principal. Various agent and principal problems may arise including conflicting objectives; differences in risk aversion, outcome uncertainty, behavior based on self-interest, and bounded rationality. The contract between the principal and the agent governs the relationship between the two parties, and the aim of the theory is to design a contract that can mitigate potential agency problems (Herbert et al., 2017). The “most efficient contract” includes the right mix of behavioral and outcome-based incentives to motivate the agent to act in the interests of the principal (Logan, 2015).

Creating contracts with supply chain partners that balance rewards and penalties, misalignment can be mitigated (Narayanan & Raman, 2014; Baiman & Rajan, 2012). Balancing the need of the shipper and the capability of the outsourcing logistics provider is a well-known managerial issue that explicitly implies the risk of agency problems (Hertz and Alfredsson, 2013). The PAT suggests an “inter-firm contracting perspective” on outsourcing logistics, focusing on the design of an efficient contract between the buyer and seller of logistics services. The idea is to develop the most efficient combination of outcome and behavioral incentives in the contract between the shipper and the outsourcing logistics provider (Hertz and Alfredsson, 2013).

The extent to which the outsourcing logistics provider’s performance can be measured and controlled has a great effect on whether the provider is paid by actual performance (such as number of orders picked, packed, and shipped to the customers) or according to behavioral outcomes (such as salaries, hours, and/or miles). Not all aspects can be covered by the contract. Therefore, the issue of contracting should be a revisiting issue in outsourcing logistics relationships (Hertz and Alfredsson, 2013). This theory is relevant or linked to contract monitoring by explaining the relationship between the organization and the supplier and how the two parties ensures that they work and perform tasks as per the contract agreements. This can be achievable by having contract monitoring controls through contract inspection, contract adherence as well as contract dispute resolution to all party contract agreements.

Conceptual Framework

The independent variables of this study are contract structure and contract monitoring assessment whereas the dependent variable was firm Performance.

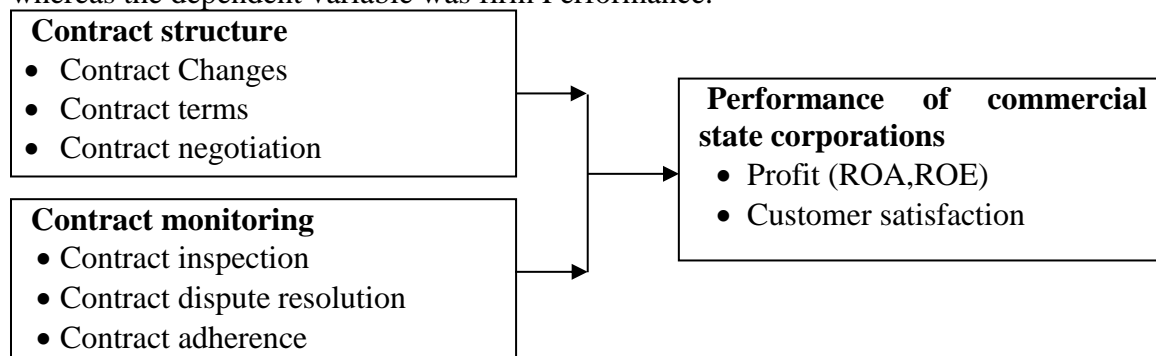


Figure 1: Conceptual Framework

Empirical Review

Zou, Brax, Vuori, and Rajala (2019) conducted a study on the influences of contract structure, contracting process, and service complexity on supplier performance. The purpose of this paper was to investigate the influences of service complexity, contract structure and contracting process on the buyer-perceived supplier performance in business-to-business (B2B) services. The study used survey data collected. The sample consisted of 177 purchasing professionals from 25 countries. The results indicate that three major contract dimensions and follow-up management practices positively influence buyer-perceived supplier performance. Furthermore, service complexity amplifies the effects of incentives designed in the contract and the buyer's follow-up contract management on perceived supplier performance.

Kakwezi (2016) in a study on the procurement contract management in public procurement 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.

In their study, Huo *et al.*, (2016) indicated that effective contract monitoring is accomplished through the application of numerous monitoring methods that are tailored to a particular contract. Some monitoring methods may be appropriate for most contracts (i.e., performance measures, scheduled programmatic reports), while other methods are appropriate for a smaller number of contracts (i.e., on-site visits, customer satisfaction surveys). The components used to monitor a contract are dependent on numerous factors, especially the complexity of the contracted service, the contract amount, and the risk if the work is not performed adequately.

Mihaela (2017) discusses contract's monitoring as one of the key elements of public procurement contract performance. The paper starts by signaling the requirements of the new European rules in public procurement. It then defines the public procurement contract and embeds this concept within the taxonomy of monitoring. The rationales and justifications of public procurement monitoring to spur performance are discussed, followed by a consideration of the challenges of contracting authorities in institutionalizing it. They developed a framework for measuring the performance of public procurement contracts. It also provides significant insights into the development of key performance indicators for measuring the performance of a contract.

Tallam and Kibet (2018) focused on the effect of monitoring intensity on procurement performance of public organizations in Elgeyo Marakwet County. The study was guided by relational contract theory and principal-agent theory. It adopted a descriptive study design utilizing questionnaires as the primary data collection tool. The staff from finance and procurement departments in the County government formed the study's unit of analysis. The sample for the study was procurement officers and finance officers. It also adopted census sampling on all the target respondents. Data was analyzed using Quantitative data analysis with both descriptive and inferential statistics. Descriptive statistics like frequencies, percentages, means and cross tabulation were used while multiple regressions was used to test the hypothesis.

The study found that the organization was able to practice monitoring intensity with the view to enhance procurement performance. The results established monitoring intensity was a factor that influences procurement performance in organizations.

Research Methodology

The research design used in this study was descriptive research design in nature which was adopted qualitative and quantitative research strategies in order to find the solution to the study problem. The target population was all 112 officers in charge from four departments in the 28 commercial state corporations in Nairobi County. The respondents were the officers in charge of finance and accounts, supply chain, logistics and audit department. These four departments were selected in this study because they are directly involved in procurement contract management. The sampling frame used in the study is the departmental heads of finance and accounts, supply chain department, logistics and audit departments in the 28 state commercial corporations in Nairobi County. The study used Yamane (1967) formulae to determine the appropriate sample size. Therefore, the sample size for this study was 88 respondents. This study used a stratified random sampling technique to select 88 respondents from the target population. Primary data that was collected from questionnaires distributed to the target groups. The qualitative data collected was subjected to content analysis. On the other hand, the researcher used descriptive and inferential statistics to analyse the quantitative data.

RESULTS

Contract Structure

The results, the respondents revealed that service complexity amplifies the effects of incentives designed in the contract and the buyer's follow-up contract management on perceived supplier performance. In addition, the respondents revealed 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. Further, the respondents established that the contract automation, contract management team, strategic contract management and contract structure must be effectively implemented to improve procurement performance. These statements are supported by the findings of Ogembo and Muturi (2019) who revealed that contract management plays a significant role on procurement management.

The respondents agreed that crafting of service contracts has helped the organization reduce role conflicts and ambiguity. This is shown by a mean of 3.951 (std. dv = 0.862). In addition, the respondents agreed with a mean of 3.755 (std. dv = 0.316), that the organization employ contract structure to reduces the risk of obsolescence and deterioration of stocks. Further, the respondents agreed that the organization uses IT to automatically reorder stock at the appropriate time from the main store. This is supported by a mean of 3.717 (std. dv = 0.958). With a mean of 3.755 (std. dv = 0.497), the respondents agreed that the service contract in the organization stipulates the rights and obligations of buyers and suppliers through formal rules, terms and procedures. Zou, Brax, Vuori, and Rajala (2019) indicted that use of information technology helps in smoothening stock control operations

From the results, the participants agreed that transaction cost economics helps the organization to determine the type of contractual governance arrangements that minimize the costs of transacting. This is shown by a mean of 3.737 (std. dv = 1.074). With a mean of 3.655 (std. dv = 0.850), the respondents also agreed that the organization uses IT to automatically produce

management information reports. In addition, the respondents agreed that the organization has computer-based system for tracking inventory levels, orders, sales and deliveries. This is shown by a mean of 3.634 (std. dv = 0.880).

With a mean of 3.662 (std. dv = 0.692), the respondents agreed that the organization uses transaction cost economics to provide insight into the costs of contractual exchange. In addition, the respondents agreed with a mean of 3.555 (std. dv = 0.421), that opportunistic suppliers use contractual incompleteness to exploit contracts to their own advantage. Further, with a mean of 3.537 (std. dv = 0.928), the respondents agreed that the organization craft governance arrangements to match the exchange conditions. Kakwezi (2016) revealed that transaction cost economics to provide insight into the costs of contractual exchange

Table 3: Contract Structure

	1	2	3	4	5	Mean	Std. Dv
The organization has computer-based system for tracking inventory levels, orders, sales and deliveries	15.9	11.0	5.5	29.0	38.6	3.634	0.880
The organization uses IT to automatically produce management information reports	4.1	11.7	17.9	46.9	19.3	3.655	0.850
The organization employ Contract structure to reduces the risk of obsolescence and deterioration of stocks	10.3	10.3	13.8	34.5	31.0	3.755	0.316
The organization uses IT to automatically reorder stock at the appropriate time from the main store	6.9	6.9	22.8	34.5	29.0	3.717	0.958
The organization uses Transaction Cost Economics to provide insight into the costs of contractual exchange	3.4	6.9	24.1	31.0	34.5	3.662	0.692
Transaction Cost Economics helps the organization to determine the type of contractual governance arrangements that minimize the costs of transacting	9.7	10.3	8.3	40.0	31.7	3.737	1.074
Opportunistic suppliers use contractual incompleteness to exploit contracts to their own advantage	10.3	17.2	6.9	27.6	37.9	3.555	0.421
The organization craft governance arrangements to match the exchange conditions	11.7	12.4	13.8	34.5	27.6	3.537	0.928

The service contract in the organization stipulates the rights and obligations of buyers and suppliers through formal rules, terms and procedures	13.8	13.8	6.9	24.1	41.4	3.755	0.497
Crafting of service contracts has helped the organization reduce role conflicts and ambiguity	4.1	4.1	21.4	33.1	37.2	3.951	0.862
Average Score						3.696	0.670

Contract Monitoring

The respondents revealed that effective contract monitoring is accomplished through the application of numerous monitoring methods that are tailored to a particular contract. The respondents further revealed that some monitoring methods may be appropriate for most contracts (i.e., performance measures, scheduled programmatic reports), while other methods are appropriate for a smaller number of contracts (i.e., on-site visits, customer satisfaction surveys). In addition, the respondents indicated that the components used to monitor a contract are dependent on numerous factors, especially the complexity of the contracted service, the contract amount, and the risk if the work is not performed adequately. The respondents also revealed that monitoring intensity is a factor that influences firm performance in organizations. The study findings are in line with the findings of Cherotich (2018) who revealed that effective contract monitoring improves operational performance of firms.

The respondents agreed that the organization ensures the team understands the importance of pre-performance conferences for efficient and effective performance and monitoring. This is shown by a mean of 3.820 (std. dv = 0.420). In addition, the respondents agreed with a mean of 3.717 (std. dv = 0.805), that the organization considers the scope, boundaries, time and cost to clearly outlines the aspect for monitoring and control. Further, the respondents agreed that the organization ensure high quality products are delivered in time. This is supported by a mean of 3.724 (std. dv = 0.333). Mihaela (2017) indicated that contract monitoring improves organization performance.

As shown in the results, the participants agreed that the organizations managers highly focus on are the reduction of the replenishment contract monitoring from suppliers. This is shown by a mean of 3.710 (std. dv = 1.005). With a mean of 3.655 (std. dv = 0.909), the respondents also agreed that the organization also reduces cost of warehouse or storage due to JIT. Further, the respondents agreed that the organization decreases contract monitoring by supplier collaboration. This is shown by a mean of 3.651 (std. dv = 0.716). Tallam and Kibet (2018) revealed that use of JIT ensure cost reduction

The respondents agreed that the organization constructs monitoring process as an integral part ensuring that it does not cause any conflicts. This is shown by a mean of 3.620 (std. dv = 0.885). In addition, the respondents agreed with a mean of 3.631 (std. dv = 0.586), that the organization receive goods from suppliers only when they are required to eliminate waste. Further, the respondents agreed that every supply makes a commitment to stock an inventory of approved stock. This is supported by a mean of 3.544 (std. dv = 0.989).

Table 2: Contract Monitoring

	1	2	3	4	5	Mean	Std. Dv
The organization receive goods from suppliers only when they are required to eliminate waste	11.8	7.9	7.9	17.2	55.2	3.631	0.586
The organization also reduces cost of warehouse or storage due to JIT	8.3	11.7	11.0	44.1	24.8	3.655	0.909
The organization ensure high quality products are delivered in time	10.3	10.3	10.3	34.5	34.5	3.724	0.333
The organization managers highly focuses on are the reduction of the replenishment contract monitoring from suppliers	6.9	9.0	11.0	52.4	20.7	3.710	1.005
Every supply makes a commitment to stock an inventory of approved stock	13.8	11.7	11.0	33.1	30.3	3.544	0.989
The organization decreases contract monitoring by supplier collaboration	29.7	11.3	3.4	24.1	41.4	3.651	0.716
The organization constructs monitoring process as an integral part ensuring that it does not cause any conflicts	8.3	13.8	17.2	29.0	31.7	3.620	0.885
The organization considers the scope, boundaries, time and cost to clearly outlines the aspect for monitoring and control	9.7	12.4	7.6	37.2	33.1	3.717	0.805
The organization ensures the team understands the importance of pre-performance conferences for efficient and effective performance and monitoring	13.8	3.4	17.2	37.9	27.6	3.820	0.420
Average Score						3.675	0.739

Correlation Analysis

According to the results, there was a very strong relationship between Contract structure and performance of commercial state corporations in Nairobi City County ($r = 0.839$, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). These findings are in line with Mandrish and Schaffer (2015) results that contract structure has a significant effect on performance of commercial state corporations.

Moreover, the results revealed that there is a very strong relationship between contract monitoring and performance of commercial state corporations in Nairobi City County ($r = 0.867$, p value =0.000). The relationship was significant since the p value 0.000 was less than 0.05 (significant level). The findings are in line with the findings of Mo, Gjelsvik & Grundt, (2001) that contract monitoring has a significant effect on performance of commercial state corporations.

Table 3: Correlation Coefficients

		Organizational Performance	Contract structure	Contract monitoring
Organizational Performance	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	81		
Contract structure	Pearson Correlation	.839**	1	
	Sig. (2-tailed)	.000		
	N	81	81	
Contract monitoring	Pearson Correlation	.867**	.297	1
	Sig. (2-tailed)	.000	.060	
	N	81	81	81

Regression Analysis

Table 4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.921 ^a	.848	.849	.49164

The model summary was used to explain the variation in the dependent variable (performance of commercial state corporations in Nairobi City County) that could be explained by contract structure, contract monitoring, supplier evaluation and contract risk assessment). The R square was 0.848; implying that 84.9% of performance of commercial state corporations in Nairobi City County could be explained by contract structure and contract monitoring.

Table 5: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	21.07	2	10.535	81.666	.000 ^b
Residual	10.062	78	.129		
Total	31.132	80			

The analysis of variance (ANOVA) was used in the current study to determine whether the model was a good fit for the data. The F calculated was 81.666 and the F-critical was 2.4920. Since the F calculated was greater than the F critical and the p -value (0.000) was less than the significance level (0.05), the model was considered as a good fit for the data. This implies that the model can be used to determine the influence of the independent variable to the dependent variable.

Table 5: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.540	0.093		5.806	0.009
	Contract Structure	0.243	0.080	0.244	3.038	0.004
	Contract monitoring	0.339	0.071	0.340	4.775	0.000

The results revealed that contract structure has a positive and significant influence on performance of commercial state corporations in Nairobi City County ($\beta_1=0.243$, p value=0.004). The association was significant because the significant level (0.05) was greater than the p-value (0.004). This implies that an improvement in contract structure leads to an improvement in performance of commercial state corporations in Nairobi City County. These findings are in line with Maldonado-Guzman, Marin-Aguilar & Garcia-Vidales (2018) results that contract structure has a significant effect on performance of commercial state corporations.

In addition, the results revealed that contract monitoring has a positive and significant influence on performance of commercial state corporations in Nairobi City County ($\beta_2=0.339$, p value=0.000). The association was significant because the significant level (0.05) was greater than the p-value (0.000). This implies that an improvement in contract monitoring leads to an improvement in performance of commercial state corporations in Nairobi City County. The findings are in line with the findings of Anigbogu and Nduka (2014) that contract monitoring has a significant effect on performance of commercial state corporations.

Conclusions

The study concludes that contract structure has a positive and significant influence on performance of commercial state corporations in Nairobi City County. Findings revealed that contract changes, contract terms and contract negotiation influence performance of commercial state corporations in Nairobi City County. This implies that improvement in contract structure (contract changes, contract terms and contract negotiation) will improve performance of commercial state corporations in Nairobi City County.

In addition, the study concludes that contract monitoring has a positive and significant influence on performance of commercial state corporations in Nairobi City County. Findings revealed that contract inspection, contract dispute resolution and contract adherence influence performance of commercial state corporations in Nairobi City County. This implies that improvement in contract monitoring (contract inspection, contract dispute resolution and contract adherence) will improve performance of commercial state corporations in Nairobi City County.

Recommendations

The study recommends that the management of the commercial state corporations should ensure better contract terms and contract negotiations to improving organization performance.

The study also recommends that the management of the commercial state corporations should formulate and implement better contract inspection methods, contract dispute resolution, and ensure contract adherence to improve organization performance.

Further studies ought to be conducted on the impact of procurement contract management on organization performance in the private sector.

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