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ABSTRACT

A contract is a written or oral legally -binding agreement between the parties identified in the agreement to fulfil the terms and conditions outlined in the agreement. Contract management refers to the business processes that manage the creation, implementation, and evaluation of contracts to maximize business performance and minimize risk. Contract management is the process that ensures both parties to a contract fully meet their respective obligations in an efficient and effective way in order to deliver the business and operational objectives required from the contract thus providing value for money. Legally binding contracts determines the stakeholder's links of a company, pricing structures, job scope, rights and responsibilities, project timelines, guarantees etc. Since agreements are critical, efficient contract management can significantly enhance organizations' efficiency. Likewise, if the company is not well structured, it could expose the enterprise to different operating and economic hazards and influence the end result. Despite the importance of contract management amongst the procurement authorities, most organizations in the world over still face uncountable challenges in realising its importance. The study thus sought to highlight the key determinants of procurement contract management and their effect on organization performance. Specifically the study sought to establish the role of compliance of contract conditions, contract documentation, cost management and contract monitoring on procurement contract management in organization performance. This study adopted descriptive research design. The target population of this study comprised of 25 procurement staff, 25 finance staff and 20 management from the internal and external customers of organization set up.

Key Words: Contract Management, Contract Documentation, Contract Monitoring

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INTRODUCTION

The condition of the contract parties' acceptance of the terms of the agreement requested is a prerequisite for, among other factors, the implementation of the agreement (Arrow smith, 2004). In past history this was most frequently accomplished by signature or performance, although forms of recognition have expanded to include multiple types of digital signature in many jurisdictions—in particular with the promotion of electronic commerce.

There may be various kinds of contracts, including sales agreements (including rent), purchase contracts, partnership agreements, trade agreements, and IPAs. Contract management is the buyer's activity over a contract period to guarantee that the contractual obligation is met by all parties concerned (Bailey, 2008) while Contract life cycle management is to manage contract development, implementation and evaluation of operational and economic performance maximization and risk minimisation in a systematic manner and effectively (Elsy, 2007).

A sales agreement is a agreement between a business (vendor) and a client that sells goods and/or services if the business agrees. The client must pay for the products / services purchased in exchange. A buying agreement is a contract between the Company (the buyer) and a distributor, which under agreed terms and conditions promises to sell goods and/or services. In exchange, the business (buyer) must accept the goods / services and pay for the creation of responsibility (Willmott, 2009).

Management of the contract is process which ensures, in order to achieve and, in particular, value for money, the business and operational objectives required by the contract, that both parties in a contract fully meet their respective obligations as effectively as possible and as effectively possible. As a consequence, agreements are developed and managed in the leadership of the majority if not all of the programs that government sector organizations need. The administration of contracts

is not a goal in itself but is essential that all decision-making and activities concentrate on the results to be achieved by companies (Saxena, 2008).

There is a wide range of procurements in the public sector where distinct contract kinds have to be managed in distinct ways. The agency contract management, on the other hand, is the method by which all phases of the business-wide contracts cycle are managed with the objective of minimizing expenses and hazards, maximizing revenue and operation and improving compliance with policies, processes, laws and terms of business negotiation. Successful and effective management of contracts are practices that fulfill the requirements of stakeholders in the company, attain optimum circumstances and value in terms of assigning scarce tax-paying resources (best value for cash), guarantee the availability of reasonable, effective cash, boost precious competitiveness, and thus enhance buyer risk and future liability (Bradley, 2002).

Existing regulatory measures shall be implemented to prevent ineffective contract management and eventual deficiency in service delivery from being prevented. The contractors have an significant and significant part to play in ensuring that the contractual objectives of the company are fully accomplished at the minimal price. The question of how the provider can afford the customer adequate flexibility while not taking on all the danger due to demand uncertainty should be considered in the acquisition agreement literature (Golovachkina and Bradley, 2002). Trained staffs in contract management and procurement processes are equally relevant. But this is generally not the case as Nadiope (2005) states that the Government does not have qualified procurement staff.

The Federal government continues to boost public expenditure on goods and services in the United States. The Defense Department (DoD) is the biggest contracting organization in the federal government, which in fiscal 2009 procures roughly \$370 billion (FPDS, 2010). This amounted to 133 billion dollars in FY2000.

The notion of contract management was discussed by Oliveira (2015) in a research on building contracts management in South Africa. The research states that contract management is a method that enables the parties to fulfill their commitments. This is to achieve the contract-related goals through proactive contract management, in order to anticipate future requirements and to respond to circumstances.

In Uganda the need for training staff for contract management in particular can be created after the same thing is recognized. Continuous strategy development and implementation by public procurement authorities must address current capacities gaps among PDEs in the region of contract award and management. The PPDA Capacity Building report (2010) demonstrates that certain PDEs have severe restrictions on contract performance and tracking. Organizations therefore have to appoint skilled employees to monitor advisors and contractors. The correct recording should be followed by this.

Research Problem

In every company that aims to achieve competitive advantages and value for money, contract management is a critical element. A firm's procurement process is incomplete without an effective and efficient contract management practices. Cropper (2008) describes contract management as the process of monitoring whether the contract parties are complying and performing as per the agreement. It also involves handling of issues that include errors, payment, specifications, policy specifications, as well as any changes that may result in the course of the contract execution. Contract management entails a process of efficient and systematic management of contract creation, implementation, and analysis in order to maximize financial and operational performance, as well as minimize risks. Operational performance measurement is critical in ensuring that overall strategic objectives of a firm are effectively and efficiently achieved. Contract management improves an organization's operational

performance as indicated by various measures, such as, quality, flexibility, speed, efficiency, and supplier relationship (Cho & Pucick, 2005).

Regardless of the sort of company you have, agreements are unambiguously key to the functioning of the organisation. Contracting forms the foundation of all the relations with stakeholders, such as providers, partners and clients, a business on a daily basis. In view of the great significance of efficient contract management to company results, it is important not only to create long-term value for your organisation but also to assist create strong relationships between stakeholder. The whole lifecycle of the agreements will eventually be managed or disrupted by a contract management method (Amour, 2014).

As CMKN (2012), Investment Climate Statement (2013), Rotich Joyce (March 2014), Transformation Index - Kenya (2014) reveal, Kenya loses a lot of taxpayers' money to improper procurement practices, specifically because of poor contract management practices. This is common in its state corporations and some of the causes include corruption, litigations, contract cancellations and substandard service or product delivery. Therefore, there is an urgent need to solve this problem by making appropriate policies and decisions to save the situation. Besides, the country requires to realize its value for money in the process of the serving its people, hence the requirement for every state corporation is required to account for its expenses. The study would help unearth the effect of effective contract management practice on operational performance of the Kenya Power.

Additionally, Enquist, Johnson and Camén (2005) conducted a study on contractual management and sustainable service in public transport sector in Sweden. Moreover, Jones and Kaluarachchi (2007) also studied operational factors influencing strategic partnerships social housing in the UK. They conclude that poor management of expectations between partners undermines trust and confidence in the process. As Camén, Gottfridsson and Rundh (2012) suggest, contracts function as a basis in

building relationships. In a study done by Ronnberg-Sijodin (2013) on life cycle viewpoint on buyer-supplier relationship in process the process of developing projects, it was concluded that close contact and training with end-users is essential for enhanced operational performance. Smith, Peter, Damien and Peter (2014) conducted a study on effects of early contractor involvement (ECI) in public procurement in Australia, and discovered that the method can greatly improve procurement process and enable firms to achieve their value for money.

The aforementioned studies focused on private and non-governmental organizations and were conducted in different business environment, hence inappropriate to apply their findings and conclusions on specific contexts. The management of contracts is a critical part of public procurement. Contract leadership improves the acquisition process in various respects including predicting potential users' requirements, responding to the problems resulting and achieving the quality of products and services. Other elements include lead time in the delivery of service, procurement budget factors, efficiency optimisation, effectivity and economy, risk-balancing expenses and active management of contracting parties' relationships. In addition, most organisations face varied difficulties in contract management, despite the significance of contract management among procurement officials. This has been experienced in cases where failure to take keen note of due diligence before the awarding of the contract leads into massive abuses of tax payers money. The role of contract management and the execution of highway projects has been discussed in Aluonzi, Oluka & Nduhura (2016). While Marco (2013) examined contract management in Tanzania, Dmaidi, Dwaikat & Shweiki (2013) examined the function of building contract management barriers. These studies didn't examine determinants of procurement contract management. It is on the basis of this gap that this research sought to fill this by answering the question: what are the

determinants of procurement contract management of organization performance.

Study Objectives

The general objective of the study was to examine the determinants of procurement contract management and their effects on organization performance. The specific objectives of the study were;

- To examine the influence of compliance with contract conditions on procurement contract management by organizations
- To establish the influence of contract documentation on procurement contract management in organizations
- To find out the influence of contract cost management on procurement contract management in organizations
- To examine the influence of contract monitoring on procurement contract management in organizations

The study was guided by the following research hypotheses;

- **H01:** Compliance with contract conditions has no significant effect on procurement contract management in regards to organization performance.
- **H02:** Contract documentation has no significant effect on procurement contract management in regards to organization performance.
- **H03:** Contract cost management has no significant effect on procurement contract management in regards to organization performance.
- **H04:** Contract monitoring has no significant effect on procurement contract management in regards to organization performance.

LITERATURE REVIEW

Contract Compliance Theory

Contract compliance theory is the act of conforming to contract agreements between buyers and sellers. Generally the purchasing function is held responsible for all reasons of non-compliance. Aberdeen Group (2006) states that, compliance can be internally or

externally. Internal compliance may be interpreted as either complying with the rules of the purchasing organization agreement, such as payment terms and minimum order requirements, or only as complying with purchases of agreements through use of framework agreements for the whole organization (Telgen, 2004).

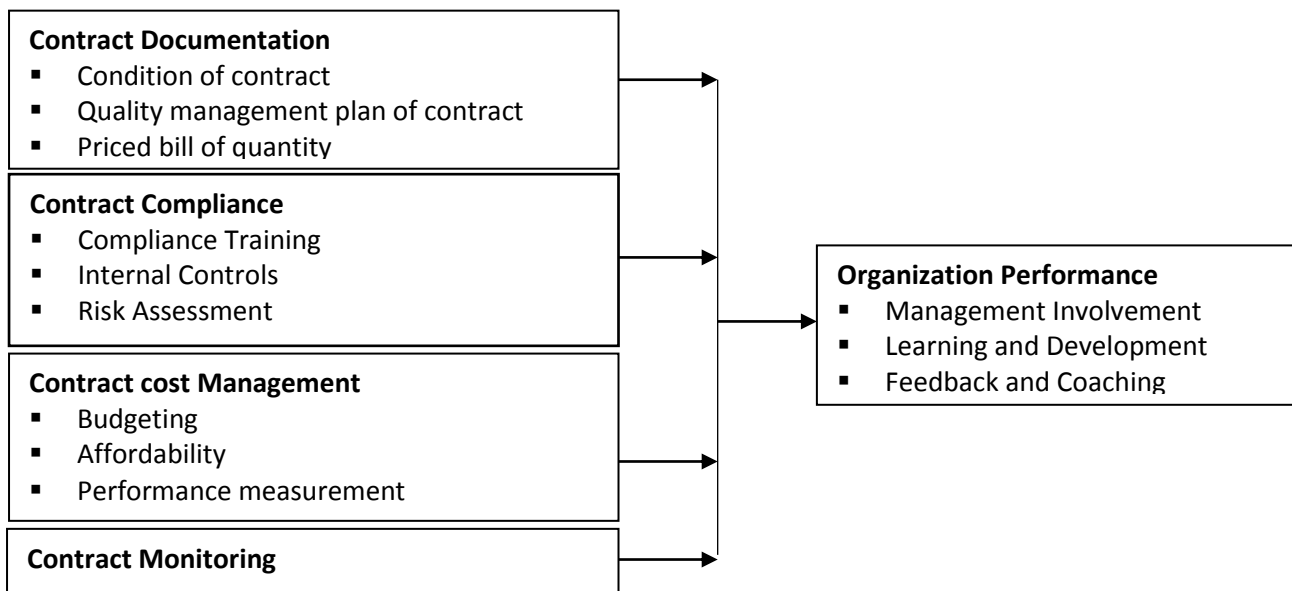
Aberdeen Group (2006) says that the use of Framework Accords for the company as a whole can help to keep the contracts high and cut buying costs. This can improve the likelihood of achievement in the project. For projects, compliance with internal contracts may include the non-availability of services to the products or of skilled staff, price charges differing from contract price, or delivery at a late date or delivery of products which do not fulfil the requirements of the contract.

Contract Management Theory

Contract management theory can be interpreted as category management, contract administration and contracting processes (Knoester, 2005). While category management is about managing the

contracting processes initiation, contract management is addressed by Knoester (2005) who speaks of contract management as the management of the engagement administration of all term agreements by which means a contract is closed. He stressed that this is the contract management process for ensuring that the right information is in the right place at the right time, to support the whole of the contracting process. In project disciplines, this can be achieved by distributing contract information to all primary project stakeholders to determine and assess an optimal supply base.

The contracting process is the third interpretation of contract management and is here contract realization is managed. This process is connected to both the category management process and the contract administration process. Contracting processes are initiated by category management and are from there supported by the contract administration process. This administration process is necessary during the whole contracting process in order to assure quality, efficiency and effectiveness (Angelov, 2005).



Independent Variable

Dependent Variable

Figure 1: Conceptual Framework

METHODOLOGY

This study adopted a case study research design. The design is appropriate as it seeks to describe a unit in context and holistically, delves into detail and digs into context. The intention of the study was to determine the effects of determinants of procurement contract management on organization performance at Kenya Power Company Limited. The target population of this study comprised of 25 procurement staff, 25 finance staff and 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, 20 senior management 20 and from both internal and external customers of the organization. The study utilized a self-designed structured questionnaire as the main instrument for data collection. The questionnaire was administered on a drop and pick later basis.

The information gathered were analysed using quantitative techniques of information analysis. Descriptive assessment such as frequencies and percentages were used. Framework data was coded and entered in a computer using the Social Science Statistical Package (SPSS Version 21). This provided means, normal differences, correlations and frequency distributions for each variable. The description statistics were the most frequently used, mean, average, proportion and mode and standard deviation. Central tendency measures were used to describe the information in this research. Multivariate linear regression model and correlation analysis were carried out.

FINDINGS

Compliance with Contract Terms and Conditions

The compliance with contract terms and conditions was examined using five metrics; The organization comply with the contract terms and conditions by awarding the contract to the most suitable party; Compliance with the contract terms and conditions

by the supplier/service provider enhance procurement contract management; Compliance with the specific contract's terms and conditions, and Enforcement levels of compliance with contract terms and conditions; Compliance with the general contract's conditions. All the metrics of compliance with contract conditions except enforcement levels of compliance with contract conditions had means between 3.5 and 4.5 indicating that on average the compliance levels had a moderate effect on contract management aspects. The enforcement levels of compliance with contract terms and conditions had a mean of 4.62 implied that on average this metric impacted on contract management to a strongly Agree. The contract documentation metrics had standard deviations between 0.5 and 1 implying moderate consensus amongst the respondents in relations to the influence of compliance with contract terms and conditions on contract management.

Contract Documentation

The influence of contract documentation on contract management was examined using five metrics that is understanding contract document ensures all the involved parties understand their role and rights in the contract process., understanding contract document lead in misinterpretation of the needs of the contract which result in loss of trust among the contracting parties, understanding contract document 48 reduces mistakes in implementation of contract which eliminate unnecessary rework., Understanding of contract document is very relevant and important in order to sustain the desired cost, time and quality in contract implementation, and for effective implementation of a contract the contractor must have the ability to understand the contract document thoroughly. It was thus critical to note that the means contract documentation lay between 3.5 and 4.5 indicating that on average the contract documentation had a moderate effect on contract management aspects. The contract documentation metrics had standard deviations between 0.5 and 1 implying moderate

consensus amongst the respondents in relations to the influence of contract documentation on contract management.

Cost Management

The cost management influence on contract management was examined using five metrics; Cost management helps in controlling contract specific cost, Cost control predicts the future expenses and costs accordingly to work towards the expected revenues., Cost management system ensure adherence to budgeted costs during contract implementation, Cost budgeting ensures predefined costs are maintained as recorded in the contract agreement, and continuous cost checking of progressive contract implementation. The means of cost management metrics lay between 3.5 and 4.5 indicating that on average the cost management had a moderate effect on contract management aspects. The cost management metrics had standard deviations between 0.5 and 1 implying moderate consensus amongst the respondents in relations to the influence of cost management on contract management.

Contract Monitoring

The contract monitoring influence on contract management was examined through five metrics that is contract monitoring ensures quality of services/goods offered, contract monitoring of adherence to terms of reference, contract monitoring guarantee timely expenditure in contract execution, contract monitoring against work done, and contract monitoring of the relationship between the parties. Contract monitoring ensures quality of services/goods offered; contract monitoring of adherence to terms of reference; and contract monitoring of the relationship between the parties had means between 3.5 and 4.5 which implied that these metrics affected the contract management was agreed upon. On the other hand, the Contract monitoring guarantee 49 timely expenditure in contract execution and contract monitoring against work done had means of 3.24 and 3.49 respectively.

This implied that on average they impacted on contract management to a Neutral. In respect to the standard deviation, the standard deviation of Contract monitoring ensures quality of services/goods offered, and contract monitoring of adherence to terms of reference had a standard deviation of 0.91 and 0.92 respectively. This implied that the data was moderately dispersed from the mean and therefore there was moderate consensus. On the other hand, Contract monitoring guarantee timely expenditure in contract execution; contract monitoring against work done, and contract monitoring of the relationship between the parties had standard deviation of above 1 which implied that the data was widely dispersed from the mean. This implied a lack of consensus on the given metrics. 4.2.5 Contract Management Contract management was examined using five metrics that is formulation of elaborate key performance indicators in a contract, achievement of procured product and services quality, maintenance of good relationship between contract parties, due process followed and communicated against contract changes, and low supplier defect Supplier defect rate is low. Contract management metrics had means between 3.5 and 4.5. This implied that on average the respondents felt that the independent variables (contract documentation, cost management, compliance with contract terms and conditions, and continuous contract review) had influenced contract management metrics was agreed upon.

CONCLUSIONS

A conclusion was made from the finding that the supplier / service provider was improving procurement contract management by fulfilling the contractual requirements. Kenya Power complied with contract conditions by awarding the contract to the most suitable party. The study further concluded that the firm complied with both general and specific contract's conditions regarding contract documentation the researcher concluded that failure to understand the contract document potentially led to mistakes in implementation of

contract which caused unnecessary rework and increase in project cost. Understanding of contract document was relevant in sustaining the desired cost, time and quality in contract implementation. For effective implementation of a contract the contractor must have the ability to understand the contract document thoroughly. Concerning contract cost management the researcher concluded that cost management helped state corporations in controlling contract specific cost. Cost management system also ensured adherence to budgeted costs during contract implementation. Cost budgeting also ensured predefined costs were maintained as recorded in the contract agreement. Continuous cost checking of progressive contract implementation. Finally the researcher concluded that contract monitoring ensured quality of services/goods offered. Contract monitoring guaranteed timely expenditure in contract execution and also enhance relationship between the parties. The study concluded that compliance with contract terms and conditions as well as cost management were metrics that on their own they could lead to a positive influence on contract management. These metrics must work conjunctively with other metrics in order for them to lead to a positive influence on contract management. On the other hand, contract documentation and contract monitoring were seen to be impactful on contract management as they had the capacity on their own to lead to a positive change in contract management.

RECOMMENDATIONS

The study recommended that in order for the state corporation to improve on contract management,

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the state corporations must place emphasis on contract documentation and contract monitoring of contract management. The method of risk management must be an ongoing method throughout the duration of the agreement; in order to effectively deliver a service, work or product, the risk administration must be improved, particularly in terms of a timely settlement of contractors' payment. Contract management teams must identify effective incentives and penalties to ensure that the contractor achieves the desired outcomes. The contractors should be stressed to review and comprehend the specifications of the agreement, including the criteria for billing the case business during kick-off conferences. This serves as a reminder that contractors satisfy the demands of the agreement. Before contract 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.

Suggestions for Further Studies

The study suggested that further studies should be conducted on procurement contract management of both public and private firms in Kenya to help sanctify the procurement practices.

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