FACTORS AFFECTING CONTRACT MANAGEMENT IN PUBLIC PROCUREMENT SECTOR IN KENYA: A CASE OF KENYA LITERATURE BUREAU

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ABSTRACT

The purpose of the study was to establish factors affecting contract management in public procurement sector. The specific objectives of the study were; to establish the effect of technology, management styles, relationship management, and employee competence on contract management in the public procurement sector in Kenya. The beneficiaries were the management of Kenya literature bureau, other government institutions, government of Kenya and other researchers. From the research, Kenya Literature Bureau should be able to enter into contracts with their partners and carry on with the research that is cost effective and efficient as possible. This was able to help the organization and the country as a whole minimize time wastage as put taxpayer's money into meaningful and fruitful use. The study adopted a descriptive research design which sought to establish factors associated with certain occurrences, outcomes, conditions or types of behavior. It also enabled the researcher to answer the questions of how, who, where, why, what and which. The target population was 220 and stratified random technique was used to arrive at a sample size of 130. Questionnaires were used to collect Data which was analyzed both quantitatively and qualitatively. The research may able to help in establishing strategies, directions and action plans that government organization should adopt for them to initiate contracts and manage to termination positively. By the end of the research work, I should be able to initiate and manage a contract within the specified period and effectively and efficiently. The findings showed that information technology, management styles, management styles and employee competence influences contract management in public procurement.

Keywords: *Factors Affecting Contract Management in Public Procurement Sector.*

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. 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. Contracts can be of many types, e.g. sales contracts (including leases), purchasing contracts, partnership agreements, trade agreements, and intellectual property agreements (Arrowsmith, 2004).

Contract management are the activities of a buyer (KLB) during a contract period to ensure that all parties to the contract fulfill their contractual obligation (Bailey, 2008). Contract life cycle management is the process of systematically and efficiently managing the contract creation, execution and analysis of maximizing operational and financial performance and minimizing risks (Elsey, 2007). A sales contract is a contract between a company (the seller) and a customer that where the company agrees to sell products and/or services. The customer in return is obligated to pay for the product/services bought. A purchasing contract is a contract between a company (the buyer) and a supplier who is promising to sell products and/or services within agreed terms and conditions. The company (buyer) in return is obligated to acknowledge the goods / or service and pay for liability created (Willmott, 2009).

Statement of the Problem

The Kenya government has lost hundreds of millions of tax payer's money through canceled contracts, unfinished projects, poor service or product delivery, corruptions and extended contract periods in the last eight years without major The Kenya government has lost hundreds of millions of tax payer's money through canceled contracts, unfinished projects, poor service or product delivery, corruptions and extended contract periods in the last eight years without major improvement (Transparency international, 2009). Confirmed data shows that the government of

Kenya spends between 10percent – 30percent of GDP on procurement alone ((Maria, 2013). Out of that 5% goes to west due to lack of proper management of the contracts (Gordon, 2009).As a result of these economic situations, the World bank and the International monetary Fund (IMF) had to intervene by putting in stringent conditionality's for lending funds to the government which slowed down economic development by 2.1percent (T.I, 2009).

According to (Gordon, 2009) contract management style (CMS) could turn out to be one of the most important new business application of the first decade of the 21st Century. (Bartels, 2009) further confirms that information technology is increasingly being applied to contract negotiation, executions and management to standardize, streamline and ensure contract and regulatory compliances and extend best practices and strategies for contract management across the organization. (Maria, 2013) study established that, in contract management, the contract supply chain relationship provides high level framework to approach contracting as a business process. However, even the most carefully designed contracting process supported by sophisticated information technology will not succeed without capable contract management professionals (Maria, 2013). Thus organizations need to invest in developing the functional and interpersonal skills of the staff. (R.o.K, 2010) confirmed the importance of contract administration to the success of the contract and for the relationship between customer and provider should not be underestimated.

However, despite all the above findings, little study has been done in public contracting and more so in developing countries, like Kenya in confirmation of the facts mentioned above. This study therefore, seeks to fill the gap by empirically investigating the factors that affect contract management in the public procurement sector in Kenya.

Objectives of the Study

General Objective

The purpose of this research was to establish factors affecting contract management in the public procurement sector in Kenya.

Specific Objectives

i. To establish the effect of information technology on contract management

ii. To determine the influence of management styles on contract management.
iii. To determine the effect of relationship management/collaboration on contract management.
iv. To establish the effect of employee competence on contract management.
v. To make recommendations based on the findings of the research.

Literature Review

McNeils Relation Contract Theory

This theory was developed by Iain McNeils in U.S.A. This theory has been the object of theoretical research in common law Jurisprudence. It contracts legal formalism to a certain extent and is based on the assumption that all the contracts can fall along a relational range from discrete-mere transaction-to highly relational. Although no relation can be totally separate from relational elements, the isolation of the contract from a relational context and the complete and exact planning of the relationship presentation, although having a great importance for contracts law, cannot explain totally modern contractual relationships. Highly relational contracts are these, the effect of which is strongly based on a specific social and economic context, on an ongoing relation usually of trust between the parties, which influences the scope and content of the contract (Diathesopoulos, 2010).

Agency Theory

Agency theory is concerned with the conflicting goals between the principal and agent in obtaining their respective objectives and is focused on mechanisms related to obtaining information e.g. about the marketplace, the supply or service, or the contractor, selecting the agent (to counter the problem of adverse selection), and monitoring the agent’s performance (to counter the effects of moral hazard). Thus, how contracts are planned i.e. how competitive or sole source, also how contracts are structured i.e. fixed price or cost reimbursement, with or without incentives, also how contracts are awarded based on lowest priced, technically acceptable offer, or the highest technically rated offer, and how contracts are administered i.e. centralized or decentralized, level and type of surveillance, and use of project teams. All have their basis in agency theory and the principal-agent problem. (Rendon, 2009).

Empirical Review

Information Technology (IT) is a general term that describes any technology that helps to produce, manipulate process, store, communicate, and/or disseminate information (William, 2005). As a need IT progressed along with socio-economic development in developing countries. In a very short time IT became the back bone in modern industrial society and the major contributor to the progress of both developing and developed countries (Olalla, 2000). Technology is broadly defined as the pursuit of life by means other than life, and as organized inorganic matter, both material and immaterial, created by the application of mental and physical effort in order to achieve some value. In this usage, it refers to tools and machines that may be used to solve real-world problems (Zee, 2002).

According to (Boon, 2003), competencies are a fuzzy concept. These authors underpin their statement by the lack of a universal definition and the confusion about the concept in the literature. To ensure a full coverage of the term, scholars recently opt for a broad definition of competencies (Delamare, 2005). Following (Spencer, 1993), we define competency as: “an underlying characteristic of an individual that is causally related to criterion referenced effective and/or superior performance in a job or a situation”(p.9) .The question that rises is which competencies employees need to develop to ensure an effective or superior performance in their current and future jobs. (Kuijpers, 2003) discerns three important types of competencies at work. First, functional competencies are defined as the knowledge and skills necessary for employees to successfully perform their jobs. These functional competencies are based upon the employees’ tasks and roles and, hence, differ according to the industry and function (Kuijpers, 2003). Second, learning competencies are defined as the individual characteristics of an employee that enable him/her to develop new functional competencies (Kuijpers, 2003). According to (Lindley, 2002), learning competencies increasingly gain importance in the work environment since the rise of the knowledge economy and the growing need for flexibility make it important for employees to continuously invest in their development. Finally, career competencies are described as the individual characteristics of an employee that enable him/her to guide his/her functional and learning competencies in the right direction (Kuijpers, 2003).

Data Analysis/Findings

Regression Analysis

Table 4.18 indicates the regression analysis which seeks to establish the relationship between contract management, information technology, management styles, relationship management and employee competence.

Table 4.18 Regression Coefficients of information technology, management styles, relationship management and employee competence

Model	Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
(Constant)	.512	.160		3.2	.022
Information technology	1.237	.541	.082	2.738	.025
Management styles	.8593	.368	.061	2.335	.020
Relationship management	1.281	.471	.490	2.720	.011
Employees' competence	1.271	.357	.234	2.433	.047

Dependent variable: Contract management

Correlation is significant at the 0.05 level (2-tailed).

Further, regression was used to obtain an equation which describes the dependent variable in terms of the independent variables based on the regression model, (regression is used to determine the type of relationship).

The regression was calculated using the basic regression model

$CM = \beta_0 + \beta_1 IT + \beta_2 MS + \beta_3 RM + \beta_3 EC + e$

Where;

CM is the Contract Management

IT is the Information technology

MS is the management styles

RM is the relationship management

EC is the employee competence

B_0 is a constant which is the value of dependent variable when all the independent variables are 0.

β_{1-n} is the regression coefficients or change induced by IT, MS, RM and EC on CM. It determines how much each (i.e. TM, SC, IT and EC) contributes to CM.
e is the error of prediction.

Hence the resultant regression model is:

CM= β_0 + 0.082IT + 0.061MS + 0.490RM + 0.234EC + e

Table 4.19 Multiple Correlation Coefficient Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics			
				F Change	df1	df2	Sig. F Change
0.78	.6084	.66	.64593	3.34	2	28	.048

Table 4.15 indicates that the regression had a correlation coefficient (R^2) of about 0.6084 and an adjusted R^2 of 0.66. This means that information technology, management styles, relationship management and employee competence explain 66 percent of the variations in contract management. The F-change of 3.34 with a probability of 0.00 at 5% significance level is significant indicating that the joint contribution of the independent variables was significant in predicting the dependent variable.

Table 4.15 shows the regression based on the sign of the coefficient and the t-ratio. From the analysis the constant has a t-ratio of 3.2. This indicates that the other factors that affect contract management and have not been included in the model are statistically significant in determining contract management. The constant is also positively related to the public procurement implying that the impact of these factors which are not in the model will affect contract management positively.

The information technology is positively related to the contract management. This is shown by the positive sign of the coefficient. The coefficient of information technology is also statistically significant as indicated by a P value of 0.025 which is statistically significant at 5%.

There is a positive relationship between contract management and the management style. Management style also has a statistically significant coefficient as indicated by a P value of 0.02 which is statistically significant at 5%.

Relationship management is positively related to contract management and has the most statistically significant coefficient as indicated by a P value of 0.011 which is statistically significant at 5%.

The employee competence is positively related to the implementation of strategic plan. This is shown by the positive sign of the coefficient. The coefficient is statistically significant as indicated P value of 0.047 which is statistically significant at 5% (Mugenda and Mugenda, 2003).

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