

# **Influence of Strategic Contract Management on Performance of Public Water Companies in Kenya**

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## **Abstract**

*There is need for coherent procurement procedure performance to ensure that there is efficient and reliable implementation of procurement process. During contract administration, internal and external control mechanisms ought to be understood. Payment periods and methods should be agreed amongst them and any drift from earlier agreement ought to be clearly communicated. Consequently, the study examined the influence of strategic contract management and performance of public water companies in Kenya. Findings of the study indicates positive and significant influence of strategic contract management and performance of public water companies in Kenya.*

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## **I. Introduction**

Strategic contract management is cosmopolitan of activities carried out throughout the procurement process (Kerich, 2018). This process entails identification and cross examination of alternative bids. Upon successful selection operational procedures are agreed on. According to Srivastava, Shervani & Fahey, (2000) there is need for an agreement between all stakeholders on monitoring, evaluation and review procedures to be adhered to during procurement implementation. This minimize conflicts during the period of contract performance.

Ceryno, Scavarda, Klingebiel and Yüzgülec, (2013) argued that there is need for coherent procurement procedure performance to ensure that there is efficient and reliable implementation of procurement process. During contract administration, internal and external control mechanisms ought to be understood. Payment periods and methods should be agreed amongst them and any drift from earlier agreement ought to be clearly communicated. Clear communication would mitigate and eliminate hindrances towards provision of the right quality and quantity agreed on (OECD, 2005).

Effective contract management can be achieved through development of clearly defined internal control measures (Kaminski, Oliveira, & Lopes, 2008). These controls should not be void of incorporating competition amongst suppliers which may trigger changes in quality, compliance and supplier relationship. Wang and Kafouros (2009) argued that incorporation of internal controls has capacity on minimizing likelihood of defects, decreased procurement life cycle and increased value for money. Further, internal controls minimize procurement costs, increases revenue growth, enhance market share and erodes possibilities of its cannibalization (Sweeney, 2011).

## **II. Literature Review**

Stakeholders' theory was brought forth by (Freeman, 1984). The theory was developed to show the relationship between internal and external stakeholders. It proposes that internal and external stakeholders have to create harmonious coordination of its operations failure to which would jeopardize organization performance. There is need to incorporate intrinsic and extrinsic interest amongst stakeholders. Water sector have several stakeholders who include its providers, farmers, individuals and commercial users. A very common way of differentiating the different kinds of stakeholders is to consider groups of people who have classifiable relationships with the organization. Friedman (1984) means that there is a clear relationship between definitions of what stakeholders and identification of who are the stakeholders. The main groups of stakeholders are: Customers, employees, local communities, suppliers and distributors and shareholders, media and government authorities.

The strength of this theory is its provision on how participatory decision making can be adopted to influence programmable and non-programmable decision making. Water sector have to consolidate interest of heterogeneous stakeholders and devise measures on how to share scarce resources. Stakeholders such as employees and suppliers are important players in procurement process and their involvement enhances

organization performance. Water distribution is a process which calls for ease of identification of needs and development of strategies to optimize its distribution. In essence, taking care of all stakeholders will ensure that water sector's respective objectives are achieved. The major weakness of this theory is inability to balance the needs of heterogeneous stakeholders due to overriding interests and nature of operational guidelines.

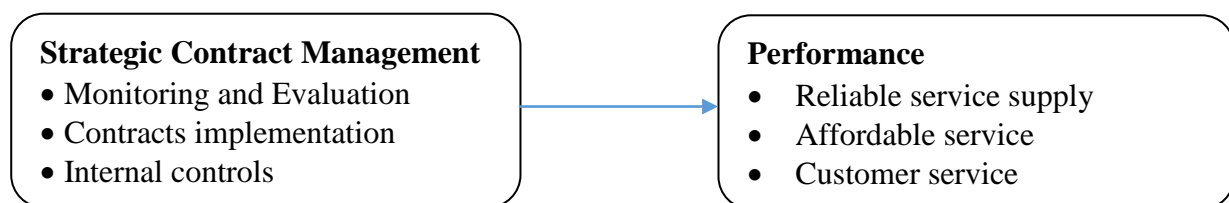
The theory is relevant for the study since there is need to adopt contract management strategies which are geared towards monitoring and evaluating procurement resources in water sector. There is need for clarification amongst all stakeholders on contractual implementation strategies. This will minimize conflict and amplify communication of expected needs in the course of project implementation. Also, there is need for procurement department in state corporations to have in place internal control mechanisms which will optimize allocation of resources and ultimately benefit all stakeholders.

In a study conducted in the ministry of Energy in Kenya, Kiage (2013) revealed significant effect of contract management on organization performance. The study evaluated contract management in the context of planning, organizing, control and directing payments. Besides, timeliness, work plans and contract periods were key contractual issues that ensured that most projects would have no cost overruns. Although, the study drew respondents from public corporation it failed to incorporate qualitative data which would have aided in in-depth examination of contract management on performance.

Maria's (2013) examined the role of contract management in performance of procurement departments. Descriptive design was applied and simple sampling selected respondents amongst whom research instruments were administered. Qualitative data was gathered through interview guide. It was established that procurement performance was dependent on procurement management strategy adopted by respective corporation. Although, the study combined qualitative and quantitative data there was need to execute focus group discussion to complement data gathered through interview guide and questionnaires. It was appropriate to carry out classical regression assumptions to examine model robustness.

Synyenlentu, (2014) conducted a study on procurement of essential water treatment chemical at the Ghana Water Company Limited. A sample of 85 respondents were identified purposively. The study revealed that procurement of water treatment chemicals abided with various principles and procurement phases. Transparency was identified as one of the principles of procurement. The study observed that procurement management using Public Procurement Act (PPA) was not sufficient in checking transparency on procurement of essential water chemicals. It was also revealed that the procurement of essential chemicals was open to all interested individuals to apply, which was a significant step towards achieving transparency.

Karanja and Kiarie, (2015) investigated the influence of procurement practices on performance of Guaranty trust bank. Cross sectional research design was adopted and questionnaires collected the data. Univariate and bivariate were used to analyze the data. It was found that use of information technology to manage procurement process optimized firm performance. It was appropriate to draw respondents from several banks rather than single institution since this would have created an option for drawing biased findings.



**Figure 2.1: Conceptual Framework**

### **III. Research Methodology**

This study was based on descriptive research design since the study described strategic procurement strategies adopted by water companies in Kenya and how they are impacting on their organization performance. According to Saunders, Lewis, & Thornhill (2014) whenever the researcher seeks to describe when, what, how and why the situation as per the problem under exploration, then the biased research design is descriptive.

The study target population comprised procurement personnel of 79 public water companies in Kenya. Target population is the complete count of all elements or individuals under examination (Sekaran&Bougie, 2013). Target population is constituted by individuals or elements who has homogeneous characteristics under examination (Saunders et al., 2014). Census of 79 procurement personnel in public water companies. Procurement managers, finance managers and Chief executive officers of water companies were respondents.

Stratified sampling was adopted to select respondents from water service companies. According to Oso and Onen (2009) stratified sampling is appropriate when the researcher seeks to allocate respondents as per their proportionate sizes. Simple random sampling was adopted to give all respondents from the target population

equal likelihood of participating in the study. Yamane (1968) sample size formula was adopted to determine the sample.

$$n = \frac{N}{1 + N e^2}$$

Where, n=sample size, N= population size, e= the error of sampling. This formula was used to calculate the sample size.

Thus  $n = \frac{237}{1 + 237(0.05)^2} = 150$ .

Primary data gathered through issue of questionnaires was coded and entered into SPSS version 22. Descriptive statistics which include mean, standard deviation, frequencies and percentage will be used to analyze the data. Findings were presented using tables. Inferential statistics will comprise of Pearson correlation and regression analysis. Multiple regression will be adopted to examine joint influence of strategic procurement management and moderating effect of information technology on procurement management. The general multiple regression models for this study will be:

$$Y = \alpha + \beta_1 X_1 + \varepsilon$$

Where y = Performance;

X<sub>1</sub> is Strategic sourcing,

#### IV. FINDINGS

##### Descriptive Statistics on Strategic Contract Management

The objective of the study determined the influence of strategic contract management on performance of public water companies in Kenya. Results in Table 4.1 revealed that majority 46% agreed and 31.7% strongly agreed that due to strategic contract management they have created harmonious service delivery among stakeholders. Secondly, majority 48.9% agreed and 30.2% strongly agreed that they have created supplier cooperation platform. Thirdly, majority 30.2% agreed and 35.3% strongly agreed and 15.8% neither agreed nor disagreed that they have created mutual understanding amongst all stakeholders.

There was elimination of surprises and disruption during service delivery as accounted by 35.3% agreed and 33.1% strongly agreed. Further, majority 44.6% strongly agreed and 22.3% agreed that they have enhanced suppliers' compliance with procedures during strategic contract management. Majority agreed (mean =4), that they have created incentives for ongoing procurement performance improvement, have minimized misunderstanding among stakeholders, has led to adherence to procurement guiding principles and has led to contract development plans due to strategic contract management. On overall majority agreed that strategic contract management has influence on performance of public water companies in Kenya (mean = 4, standard deviation = 1).

Human capital development is one interpreted as sense of concern for the employees and their growth and two as sign of commitment to what employee can offer and hence a change of attitude towards management and the company as a whole. A reiteration by Ethiopian study of foot ware producing companies by Tessema (2015) discovered that human capital development will always yield positive performance. In line to this, Chigoize et al., (2018) in Nigeria says that firms need to allocate resources for their staff development for increased motivation and great performance emanating from learning to do things in different ways.

**Table 4.1 Descriptive Statistics on Strategic Contract Management**

	n=139						
	SD	D	N	A	SA	Mean	Std. Dev
Have created harmonious service delivery amongst stakeholders	2.2	10.8	9.4	46	31.7	4	1
Have created supplier cooperation platform	2.9	5	12.9	48.9	30.2	4	1
Have created mutual understanding of all stakeholders	5.8	12.9	15.8	30.2	35.3	4	1
Have eliminated surprises and disruption during service delivery	5.8	5	20.9	35.3	33.1	4	1
Have enhanced supplier's compliance on procurement procedures	7.3	3.5	22.3	22.3	44.6	4	1
Have created incentives for ongoing procurement performance improvement	3.6	10.1	15.1	53.2	18	4	1
Have minimized misunderstanding among stakeholders	0.7	11.5	7.9	36	43.9	4	1
Have led to adherence to procurement guiding principles	4.3	4.3	7.9	43.2	40.3	4	1
Have led to development of contract management plan	5	7.2	7.2	49.6	30.9	4	1
<b>Overall average</b>						<b>4</b>	<b>1</b>

**4.8.2 Strategic Contract Management and Performance of Public Water Companies in Kenya**

The hypothesis stated strategic contract management had no significant influence on performance of public water companies in Kenya. Results in Table 4.2, has an R squared of 0.496, which indicates that 49.6% of changes in performance of public water companies can be explained by strategic contract management while the remaining percentage can be accounted by other factors excluded from the model.

ANOVA results has an F statistic of 134.88, p value <0.05, that indicates significant influence of strategic contract management on performance of public water companies in Kenya. Strategic contract management has positive and significant influence on performance of public water companies in Kenya ( $\beta = 0.718$ ,  $t = 11.614$ , p value < 0.05). This implies that unit increase in strategic contract management increases performance of water companies by 0.718 units.

The study aimed to document influence of the strategic contract management on performance of public water companies in Kenya. Strategic contract management was measured by reviewing water companies monitoring and evaluation tools, contract implementation and internal control checks that were available. Bivariate analysis showed positive and significance influence of contract management on performance of the water companies under investigation. The null hypothesis of no significance was rejected in favor of the alternative hypothesis.

In the same spirit, Maria (2013) found that performance in procurement depended positively on contract management. Even though Maria incorporate both concept of qualitative gathered using questionnaire and quantitative data from company’s statements, it could have given more exploratory if interview and focus group discussions were used to cement their primary instruments findings. In Ghana, Synyenlentu (2014) document that having openness in application of supply of chemical for water company played a major role in ensuring transparency which help the companies to perform well as to the standard.

$$\text{Performance} = 0.056 + 0.718 * \text{Strategic Contract Management} \dots\dots\dots (4.1)$$

**Table 4.2 Regression Analysis on Influence of Strategic Contract Management and Performance of Public Water Companies in Kenya**

		Model Summary				
R	R Square	Adjusted R Square	Std. Error of the Estimate			
0.704	0.496	0.492	0.712444			
ANOVA						
	Sum of Squares	df	Mean Square	F	Sig.	
Regression	68.462	1	68.462	134.88	0.000	
Residual	69.538	137	0.508			
Total	138	138				
Coefficients						
Unstandardized Coefficients		Std. Error		Standardized Coefficients	t	Sig.
B		Std. Error		Beta		
(Constant)	0.056	0.061			0.928	0.355
Strategic Contract Management	0.718	0.062		0.704	11.614	0.000

**V. Conclusion and Recommendations**

Strategic contract management has positive and significant influence on performance of public water companies in Kenya. Then it can be concluded that creation of harmonious delivery mechanism, creation of supplier cooperation platforms, mutual understanding of all stakeholders and elimination of surprises and disruption during service delivery enhances provision of quality services, timely provision of services, reduction of water spillage, enhance response to customers and have increased revenue from service provision.

There is need for public water companies in Kenya to enhance their contract management so as to achieve harmony on goods and services delivery, understanding of all stakeholders, enhance compliance with quality standards and measurement, adherence to procurement policies and guidelines and minimize misunderstanding among stakeholders. Achievement of these would aid them in provision of reliable and quality services.

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