

**CONTRACT MANAGEMENT PRACTICE AND OPERATIONAL
PERFORMANCE OF STATE CORPORATIONS IN KENYA**

BY

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D61/79354/2012

**A RESEARCH PROJECT PRESENTED TO THE SCHOOL OF BUSINESS
IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION, UNIVERSITY
OF NAIROBI**

OCTOBER, 2014

DECLARATION

I hereby declare that this is my original work and has not been submitted for any award at any other institution.

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This research project has been submitted for examination with my approval as the university supervisor.

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DEDICATION

This research project is dedicated to my family, particularly my husband, Erick Kibet for all the support and encouragement; my daughter Jasmine for her inspiration; and my dear parents, Mr. and Mrs. John Mark for their constant guidance, support, and encouragement.

ACKNOWLEDGEMENT

I would like to thank my supervisor, Mr. Ernest Akelo and my moderator, Mr. Odock for their guidance, advice, and inspiration throughout the project.

I would also like to acknowledge my entire family: husband, daughter, parents, brothers and sisters for their prayers, guidance, and support throughout the program. Thank you for believing in me.

I am also sincerely grateful to my friend Naomi for her encouragement, other friends and classmates for their support. Above all, I would like to thank God for helping me accomplish all this.

ABSTRACT

The aim of the study was to establish the effect of effective contract management practice on operational performance of state corporations in Kenya. The specific objectives of the study were to determine the extent to which state corporations in Kenya practice effective contract management; to identify determinants of effective contract in state corporations in Kenya; to identify challenges involved in effective contract management practice in state corporations in Kenya and to establish the effect of contract management practice on operational performance in state corporations in Kenya. The study used a descriptive, cross-sectional survey research design, with a target population of all the 187 state corporations in Kenya. It also employed a simple random sampling method with a sample size of 50 state corporations. Data was collected using questionnaires, analyzed using SPSS and presented using charts, tables, and graphs. The study findings indicated that state corporations practice effective contract management, which has a positive effect on their operational performance. The implication of the study is that effective contract management improves operational performance of state corporations in Kenya. However, the study recommends constant training, improve contract management practices, use of adequate information systems and enhanced flexibility and risk management.

Key words: contract management, operational performance, and state corporations.

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ABBREVIATIONS AND ACRONYMS

CMKN- Contract Monitoring Kenya Network

KPI- Key Performance Indicator

PPDA- Public Procurement and Disposal Act

PPOA- Procurement Oversight Authority

ROI-Return on Investment

SOW-State of Work

SPSS- Statistical Package for Social Science

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

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, 2005).

Currently, Kenya loses billions of taxpayers' money to improper procurement process, specifically poor contract management practices. This commonly happens in the country's state corporations due to issues, such as, corruption, litigations, contract cancellations and substandard service or product delivery. This calls for the pressing need to make appropriate policies and decisions to save the situation. Since the state requires to realize its value for money in the process of the serving its people, every state corporation is required to account for its expenses (Contract Monitoring Kenya Network, 2012). Therefore, contract management is a valuable step in public procurement as it ensures that service or products delivery is undertaken as per the contractual terms and conditions. The study will help unearth the effect of effective contract management practice on operational performance of the state corporations in Kenya.

Contract management practice comprise of all the activities involved in the drafting, review, revision, and analysis of contracts, and the implementation of systems and use of software that

are designed to enhance accurate tracking and keeping of records relating to satisfaction of contractual terms. Nevertheless, contract management is sensible if it makes a positive impact on the government in terms of operational performance. Thus, the study intended to delve into this variables; contract management and operational performance, in order to examine whether there is any positive relationship existing between them. The context of this study was the state corporations in Kenya.

1.1.1 Contract Management

Kakwezi (2012) defines contract management as those activities related to contract handling including invitation to and evaluation of bids; awarding and implementation of contracts; measurement, and payment calculation. This also entails monitoring contract associations, handling related issues, integrating essential contract modifications or changes. This is meant to ensure that all contract parties exceed or meet each other's expectations and interact with contractor to attain the objectives' of the contract. As Uher and Davenport (2009) note, it also involves practical monitoring, management and review of terms of contract established through the process of procurement, ensuring delivery is done appropriately. Contract management activities aim at ensuring that parties comply with the contractual terms and conditions, as well as documenting and accepting any necessary changes in the contract execution.

Since contract management is a process, it involves certain activities necessary to accomplish in order to realize its benefits. Common contract management practices include contractor monitoring and acceptance management; managing the contractor relationship; contract administration; dispute resolution; and contract closure. Contractor monitoring and acceptance management is about ensuring that the contractor is undertaking his duties and fulfilling his obligations in compliance with the contract. This also is helpful to the contracting authority in identifying any issues or problems in advance that could arise and offer timely solutions. Managing the contractor relationship enables the contracting authority to ensure that all its actions and decisions enhance the supplier relationship. On the other hand, contract administration involves maintaining an updated form of the contract; controlling and managing

contract variations; paying the contractor; managing assets; drafting reports; and terminating the contract. Dispute resolution entails management of all conflicts that may arise between the two parties. Lastly, contract closure happens when all contractual terms and obligations have been honored (Cropper, 2008)

1.1.2 Operational Performance

Blazey (2009) states that operational performance entails an organization's performance in relation to standards or prescribed measures of efficiency, effectiveness, environmental responsibility comprising of waste reduction, productivity, regulatory compliance, and cycle time. He further demonstrates that operational performance is a normal dependent variable that managers and researchers use in evaluating specific firms in comparison with their business rivals. For instance, operational performance can be dependent on a firm's factors, such as, human resources development, marketing strategy, customer service, image or reputation, corporate social responsibility, contract management, supplier relationship, and communication. Combs, Crook and Shook (2005), demonstrate the difference between the operational performance and organizational performance. The trio further argues that operational performance involves all non-financial firm outcomes while organizational performance comprises of the economic outcomes of a firm.

Besides, operational performance testing happens against the commitments established in the management system. It serves to measure the firm's management plans to ensure the achievement of its social, ecological, and economical goals. Performance is the record of the outcome achieved through a function of a specific activities or work within a given period (Brandin & Russel, 2009). It is worthwhile to note that many firms use many performance measures unlike the single measure used in the past. Operational performance may be effectively done through an organizational management system. Some of the commonly used methods of measuring operational performance include quality circles, balanced score card, and best practices. These techniques involve frequent repetitive activities used in establishing the organizational goals. The activities are important in monitoring the progress of a firm against the set goals and objectives (Mohanty, 2008). In relation to contract management, common key

performance indicators include but not limited to: efficiency, quality, flexibility, compliance, supplier relationship, supplier defects rates and procurement cycle time (Cho & Pucick, 2005).

1.1.3 State Corporations in Kenya

State corporations refer to agencies, companies or intergovernmental organizations that have political influence and are distinct from the government though their activities directly or indirectly serve the state. Such organizations can also be partly or wholly owned by a government. Under the State Corporations Act, chapter 446 of the constitution, Kenya has established many state corporations usually referred as Parastatals. These firms have the autonomy of running and concentrating on particular mandates so as to enhance the public service delivery (Government of Kenya, 1986). Even though they have Board of Directors and equivalent governing bodies to supervise their operations, such institutions act within the general supervision of their respective ministries (Government of Kenya, 2004).

Currently, there are almost 187 state corporations in Kenya (Appendix III) (Government of Kenya, 2014). These organizations are highly indispensable in the Kenya since they provide significant avenues through which the state reaches out to the people and serve them appropriately. These organizations are relevant in the study because they all undertake procurement practice under the PPDA 2005 regulations. The country loses a lot of taxpayers' money through poor procurement and contract management practices. Therefore, it would be insightful to discover the extent to which state corporations in Kenya conduct contract management practices. It is also worthwhile to understand how contract management practice affects the operational performance of these state corporations. Therefore, the study will gain valuable information from these firms in relation contract management and operational performance, and that the context forms a fertile ground for the study.

1.2 Research Problem

Contract management practice is a vital aspect in any organization that intends to gain a competitive advantage and value for money. A firm's procurement process is incomplete without an effective and efficient contract management practice. Cropper (2008) describes contract management is 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).

As CMKN (2012), Investment Climate Statement (2013), Daily Nation (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. Consequently, this makes contract management an inevitable aspect of public procurement as it ensures that service or products delivery is undertaken as per the contractual terms and conditions. The study would help unearth the effect of effective contract management practice on operational performance of the state corporations in Kenya.

Wang and Bunn (2004) propose a combination of business-government relationship as a unifying background for understanding the issues of buyer-seller links in government contract performance. 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 outside Kenya; hence inappropriate to apply their findings and conclusions on the Kenyan context. Further, state corporations do not necessarily focus on profits; instead they aim effective service delivery to the citizens. Therefore, a clear link between the two variables (contract management and operational performance) was necessary. It was for this reason that the study proposed to explore the relationship between contract management and operational performance in Kenyan state corporations. Therefore, the study aimed at answering the following: How does contract management affect the operational performance in state corporations in Kenya?

1.3 Research Objectives

The main objective of the study was to determine the effect of contract management practice on operational performance of state corporations in Kenya.

The study's specific objectives included:

- i. To determine the extent to which state corporations in Kenya practice effective contract management.
- ii. To identify determinants of effective contract management practice in state corporations in Kenya.
- iii. To identify challenges involved in effective contract management practice in state corporations in Kenya.
- iv. To establish the effect of contract management practice on operational performance of state corporations Kenya.

1.4 Value of the Study

The study findings would provide vital knowledge to all state corporations regarding the effective contract management practices. It would also guide the government, policy makers and other stakeholders on sound and informed decision making on contract management issues; hence the achievement of value for money. Additionally, the study would be useful to the procurement and supply chain professionals on the importance of practicing good contract management; determinants of best practice; as well as its challenges and solutions.

To the supply chain organizations, the study would enable them to practice appropriate contract management by identifying key activities involved in the process. To the future researchers, the study would form a basis upon which future studies would be done by establishing knowledge gap on the concept. As well, current and future students would use the research findings and conclusions to enrich their knowledge on the topic, create their literature review and establish new research areas. The findings from the study would also identify other crucial relationships that need further research, especially on contract management and operational performance.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter intends to review some of the literature relating to contract management practices; determinants of effective contract management; challenges in practicing contract management; contract management and operational performance; empirical review; as well as conceptual framework.

2.2 Contract Management Practices

As Lowe (2013) points out, a contract is the foundation of the establishment and maintenance of a favorable relationship between the contractor and contracting authority. It also forms a basis for the acceptance of the project deliverables hence ensuring the achievement of value for money. If a contract fails to address the relevant issues required in the agreement, such as, word ambiguities, it becomes hard for the contracting company to base a positive working relationship with the contractor. In spite of that, certainly there are activities that the contracting company can carry out upon awarding a contract so as to boost the contractor's performance and subsequently the effectiveness during the contract implementation. The major procedures in contract management involved in all kinds of contracts are discussed as follows:

Contract management starts with contractor monitoring and acceptance management. This is vital in enabling the contracting organization to ascertain that the contractor is undertaking his duties and fulfilling his obligations in compliance with the contract. This also allows the contracting organization to pinpoint any issues or problems in advance that could arise and offer timely solutions. Particularly, the outline of contractor monitoring and acceptance management includes: monitoring, controlling, and evaluating the contractor's performance; evaluating the quantity and quality of services, works, or products delivered; and identifying and handling risks (Cropper, 2008).

Secondly, contract management involves managing the contractor relationship. Hansson and Longva (2014) argue that this refers to the actions and initiatives of the contracting company to create and maintain a positive relationship with the contractor. This depends on the mutual trust, understanding, regular communication and timely management of possible problems in the contract. Thirdly, the practice includes contract administration. This procedure involves maintaining an updated form of the contract; controlling and managing contract variations; paying the contractor; managing assets; drafting reports; and terminating the contract (Hansson & Longva, 2014; Piga & Treumer, 2013).

Dispute resolution is the fourth activity involved in contract management. Camén, Gottfridsson and Rundh (2012) posit that this involves the procedures undertaken when selecting and applying the optimum way of resolving differences with the contractor. The final activity of contract management is contract closure. This entails the control and certification practices that both contracting parties have honored their contractual responsibilities as well as activities involved in evaluating degree of successful contract execution and achievement of expected results (Chong, Balamuralithara & Chong, 2011).

2.3 Determinants of Effective Contract Management

Gupta, Karayil and Rajendran (2008) reveal that poor contract management causes substantial loss of savings. They also argue that 30 to 70% of each dollar of savings that is negotiated by a strategic outsourcing is lost. This happens through spend-leakage and the subsequent non-compliance. They further argue that poorly managed contracts affect the purchasing firm's credibility through a snowball effect. This implies the difficulty to internally sell and enforce future contracts. For many years, businesses got the whole concept of contract management wrong, hence the heavy fine for non-compliance. It is also important to note that the implementation of a sound contract management process incurs time, cost, and management effort (Sieke, 2008).

Sanghera (2008) says that an organization can determine if it is engaging in effective contract management if it make appropriate strategic decisions and drafts right contracts. A contract is the pillar in the exercise of its proper and effective management. Every contract should establish its basic principles, have clear scope, define execution terms and define procedures essential for successful communication between the contractor and contracting authority. It should also implement changes, evaluate contractor performance, accept or reject the contractor's deliverables, identify and manage risks, handle problems, resolve disputes, approve payments, and finally close the contract process (Trent, 2007). As well, Cruz and Marques (2013) an organization is certainly undertaking effective contract management practices if it has effective evaluation procedures. These procedures should be clearly defined and implemented in compliance with the respective regulations in order to achieve integrity, objectivity, non-discrimination, transparency, confidentiality and secrecy. This ensures that the most appropriate candidate is awarded the contract.

Effective contract management is also characterized by a contract management team that has the necessary relevant qualifications, skills, knowledge and experiences for the job. It is also vital to clearly specify the roles and competencies involved in the contract management process. The officials charged with the responsibility should be selected based on objective criteria so as to ensure they have the required technical knowledge as well as skills, such as, negotiation skills, cooperation skills, and communication skills (Uher & Davenport, 2009). Pollitt and Talbot (2004) argue that a contracting authority can also be said to be effectively managing its contracts if it monitors its contractors' performance well. The contracting authority should monitor and continually evaluate the contractor's performance so as to ensure the final output achieves the greatest value for money (Hill, 2008).

Additionally, flexibility or adaptability is another determinant of an effective contract management process. A contracting organization and a contractor must be flexible in order to manage change successfully. This is crucial for both parties because need for change might arise during project implementation. Change happens due to institutional changes, technological developments, as well economic factors. Successful contract management happens when both

parties are willing to accept and adapt to change (Wysocki, 2009). As Greve (2008) points out, organizations that achieve success in contract management ensure that they formulate a 'win-win' situation for both the contracting authority and contractor. This should be applicable during contract implementation. There is also a need to focus on the development and maintenance of good cooperation and communication between the parties. Timely response to possible issues and dispute resolution is also indispensable.

What is more, Saxena (2008) also emphasizes that firms that strive for success also ensure that they have a provision for execution of changes. The contracts', specific and general conditions, are set together with other Tender Documents at fairly an early stage of the project. This is imperative because then, possible risks or other issues that may arise next are not relatively different. This is the main reason why contracts should provide for the probability that require change and therefore, they must establish mechanisms and procedures by which the appeals for change will be made, reviewed, and either rejected or accepted.

Oluka and Basheka (2014) reveal that clear description of processes and setting contract management plans, suitable methods of using vital lessons from contract management practice, precise definition of roles and employing knowledgeable contract manager enhance effective contract management process. Finally, for contract management to be successful, the parties need to take initiatives and preventive actions. This implies that the process should be based on preventive actions with anything relating to potential risks, substandard contractor performance, supply or delivery of low quality products or services. They should avoid activities of suppressive nature (Benjamin & Belluck, 2001; National Audit Office, 2012).

2.4 Challenges in Practicing Contract Management

The achievement of an effective contract management may be hindered by various challenges. Some of them include but not limited to the following:

First, contract managers experience a challenge regarding unforeseen work. This implies that contract management may result in work that is contrary to the contract terms and conditions. Therefore, it is essential for an organization to define its expectations clearly in the contract. The business requirements should be well documented and that people at all organizational levels and end users should be involved in the development of the requirements and documenting them in the SOW (Young, 2008). Moreover, budget or timeline constraints hamper effective contract management. Angeles and Nath (2007) reveal that contract managers often face this challenge due to unclear project scope, and unrealistic timeline and budgets. Thus, to salvage this challenge, it is important to have clearly defined scope, budget, and timeline for the contract.

Unidentified project status also limits successful contract management in an organization. This is usually experienced due to poor communication among the contract parties. To solve this, it is valuable to integrate a communication plan in the contract. This will enhance timely contract status updates. Aman, Hamzah, Amiruddin and Maelah (2012) assert, contract management may also suffer from inadequate skilled resources. Contract management normally suffers because of unavailability of appropriate resources to implement it. Therefore, it is indispensable to have a project team from each contract parties (Dimitri, Piga & Spagnolo, 2006).

Choy, Chow, Lee and Chan (2007) state that conflicts regarding payments hinders an organization from practicing proper contract management. To solve this, it is necessary to define ways and processes in the contract to penalize or award on the basis of compliance with the agreement. It is also significant to devise ways of measuring progress and set actual acceptance standards. Panesar and Markeset (2008) also point out that change can be challenging to a contract management team especially if it lacks appropriate measures of handling it. Contract management challenges include lack of cooperation and inflexibility (Wang & Bunn (2004; Nysten-Haarala, Lee & Lehto, 2010). The right way of preparing for change by through structuring the contract in such a way that allows the team to properly identify and review risks weekly. Besides, the contract must incorporate requirements of assessing risks and identifying their solutions. Additionally, an official change control approach need to be integrated in the contract.

As Schiavo-Campo and McFerson (2008) state, contract managers also face a challenge when tracking global contracts. This affects organizations that operate internationally or award contracts to both local and global companies. Various factors including language difference and unique business techniques may complicate global contracts and making it hard for the parties to understand each other. To solve this, it is necessary to specify a common language to use in the contract to facilitate clear understanding (Saxena, 2008). As well, an issue of contract management performance could also hinder a proper contract administration. Organizations need to check if their contractual responsibilities are being carried out and that deadlines are met. Managers may understand the contract details during implementation, but these may be forgotten with time. Therefore, to avoid this, it is important to have reminders and identify contract activities and tie to calendars (Cohen & Eimicke, 2008).

Managing data in diverse locations can make it hard to locate and relate documents to each other. This may cause problems if there is need to review many documents regarding a specific contract, or review various versions of the document, and they are separate. Therefore, organizations need to establish central data management systems to facilitate effective contract management (Choy et al., 2007). Finally, CMKN (2012) highlights some of the factors that contribute to inefficiency in public procurement in Kenya's public procurement. Corruption, delayed payments, poor planning, statutory amendments, insufficient use ICT, low public participation, and improper payment procedures negatively affects public procurement in the country.

2.5 Contract Management Practice and Operational Performance

The effective practice of contract management in an organization is critical in boosting its operational performance. In procurement, contract management practice is undertaken to achieve organizational goals as stated in the strategic plan. Operational performance measurement ensures that the overall strategic objectives of an organization are effectively and efficiently realized. Clearly, contract management boosts an organization's operational performance measured against the various performance measures, such as, quality, flexibility, speed,

efficiency, and supplier relationship. Costello (2008) argues that suppliers get motivated to do business with firms that have effective contract units where activities are straightforward, needs and deadlines met, and costs are well managed; hence enhanced operational performance. As well, Nysten-Haarala, Lee and Lehto (2010) sought to establish the effective incorporation of flexibility in contracting process. They found out that flexibility is important in contract management; thus improved operational performance.

The effect of good contract management practice on operational performance can be measured successfully using suitable operational KPIs. Depending on the nature of the business, operational measures vary across firms and industries (Jusoh & Parnell, 2008). As George (2005) notes, in such a competitive corporate world, organizations strive to establish performance measurement metrics to gauge against their targets and business rivals. Some of the key indicators of operational performance used include: efficiency, quality, flexibility, compliance, supplier relationship, supplier defects rates and procurement cycle time (Cho & Pucick, 2005).

With reference to Erridge, Fee and McIlroy (2001), in a procurement department where contract management practices take place, a number of operational performance measures are essential. Firstly, supplier defect rate is a key operational performance indicator used to measure the quality of purchases carried out by a procurement department. This can be achieved by dividing the number of defects by the total purchases, or defective shipments by total shipments. Operational performance can also be measured by use of customer satisfaction indicator. Internal customers' rating on their satisfaction levels with the department's performance is essential in achieving this. If many firms use similar questions, benchmarking levels of satisfaction is achievable. Customer satisfaction helps in measuring the department's capacity to meet the needs and expectations of internal customers (Ray, 2011).

As Mead and Gruneberg (2013) suggest, importance of supplier idea execution is another key operational performance measure in contract management. Advanced procurement firms actively seek ideas from suppliers for revenue growth, cost savings among others. The ideas are tracked and their contribution to the firm's bottom line is measured. This helps to measure the

department's ability to leverage intellect in the supply base. Another useful KPI in operational performance is the procurement cycle time. This can be measured by the average time taken between requisition submission and placement of a purchase order. This can also be determined by the time taken from the start of sourcing process to the time of contract signing. The KPI is important in measuring the department's productivity (Sollish & Semanik, 2012). The aforementioned performance indicators are instrumental in establishing the connection between contract management practice and operational performance.

2.6 Empirical Review

There are various studies conducted both globally and in Kenya relating to contract management practice and operational performance. Unfortunately, most of the studies regard procurement and performance in different sectors of economy, while none of them specifically concerns contract management and operational performance in state corporations in Kenya. Outside Kenya, Holt and Graves (2001) also conducted a study on benchmarking UK public procurement performance and discovered a positive correlation between benchmarking and procurement performance in the country. As well, a study by Bassioni, Price and Hassan (2004) dwells on the performance measurement in construction industry. Moreover, Jeanette (2008) conducted a study on the benchmarking and its importance on procurement performance. Brandmeier and Rupp (2010) also studied effects of benchmarking procurement functions and performance, while Quesada, González, Mueller and Mueller (2010) sought to establish the effect of e-procurement on procurement and performance and identified a positive link between the variables.

In Kenya, Amin (2012) conducted a study on e-procurement and organizational performance in commercial parastatals in Kenya. He discovered that the practice enhances organizational performance. Another study by Manyenze (2013) on procurement performance in public universities in the country revealed that corruption, non-transparent procurement practices and inadequate technological infrastructure negatively affects public procurement performance in the institutions. Further, CMKN (2012) highlights some of the factors that contribute to inefficiency in public procurement in Kenya's public procurement. Corruption, delayed payments, poor

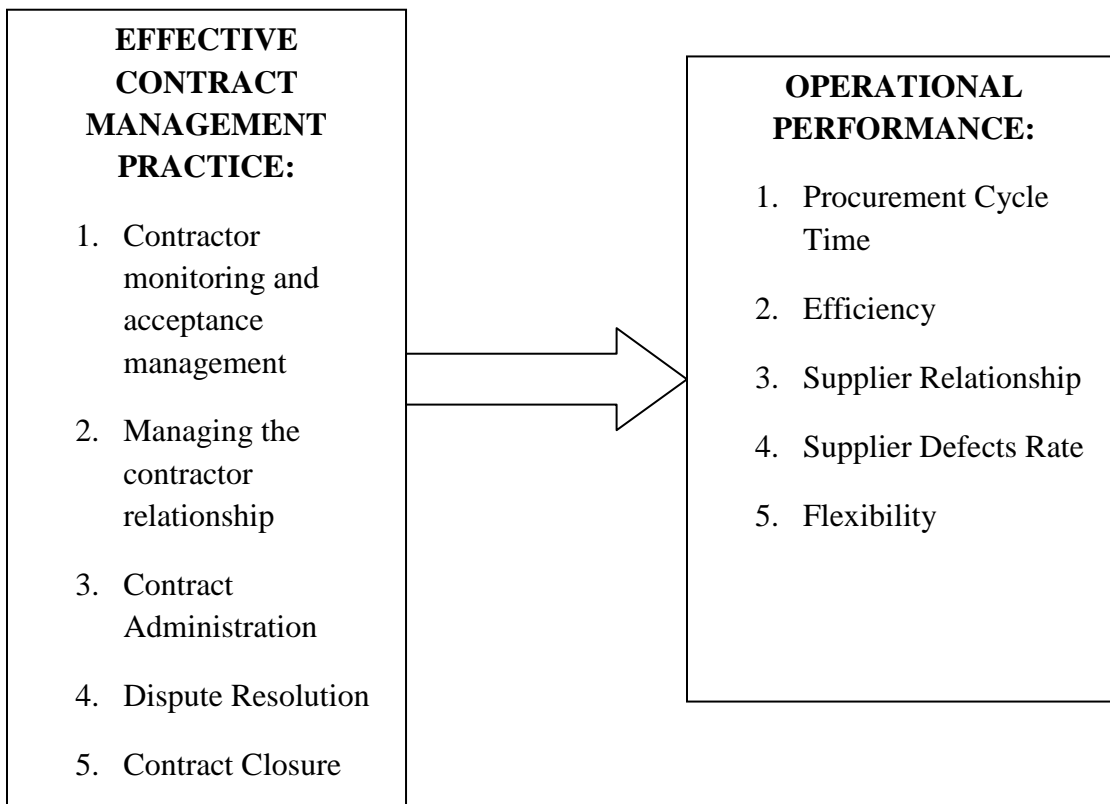
planning, statutory amendments, insufficient use ICT, low public participation, and improper payment procedures negatively affects public procurement in the country. However, it fails to relate them with operational performance of state corporations in Kenya.

Magutu, Chirchir and Mulama (2013) studied the effect of outsourcing logistics services on performance in large manufacturing companies in Kenya. They established that the practice enhanced both organizational and operational performance of the firms in Kenya. Mohammed (2008) also sought to establish the effects of performance contracting on banking industry's operational performance. The study reveals a positive relationship between the two variables. The Public Procurement Oversight Authority (PPOA) also conducted a study on the procurement system in Kenya and found out ineffective contract management practice as one of the reasons for poor procurement performance. It recommends more studies sound contract administration practices in order to boost the performance of the procurement system in Kenya. Nonetheless, the type of performance measured in the study is unclear (PPOA, 2007).

Another study on the Kenyan context of Global Fund of drug procurement, it is evident that Kenya experienced widespread stock-outs due to untimely supply by the contractor. This, in turn, affected the country's performance in terms of fighting Malaria (Tren, Hess & Bate, 2009). The above studies were conducted in various sectors of the country's economy. Nevertheless, none of them relates to effect of contract management practice and operational performance in the state corporations in Kenya. State corporations are crucial in the country's economy because they enhance the government's service delivery to its people. Therefore, it is for this reason that a study on the effect of effective contract management practice on operational performance in the state corporations in Kenya. Besides, identifying the challenges involved in contract management practice in these corporations is highly indispensable. The study aims at establishing the link between the variables, which is missing in the early studies.

2.7 Conceptual Framework

In this study, the framework comprises of the dependent and independent variables, which are operational performance and contract management, respectively. Independent variable is divided into five independent variables including contractor monitoring and acceptance management; managing the contractor relationship; contract administration; dispute resolution; and contract closure. The conceptual framework shows how effective contract management affects operational performance of an organization. This is determined by the operational key performance indicators including procurement cycle time, efficiency, supplier relationship, supplier defects rate, and flexibility.



CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter addresses the research design, population of study, sample and sampling techniques, data collection, operationalization of variables and data analysis.

3.2 Research design

This study used a descriptive cross-sectional survey research design. This was appropriate for the study because it enabled collection of data which describe events; organize, tabulate, predict and describe data. Since it is characterized by the questions: who, how, and what, the design enabled the collection of data that answer the research question. A single cross-sectional design involving one round of data collection from the sample was also helpful in determining the relationship between the variables successfully used by previous scholars (Muturi, 2007; Mukasa, 2010 & Ngari, 2012).

3.3 Population of the Study

The study targeted all state corporations in Kenya. Currently, there are 187 state corporations in Kenya (Government of Kenya, 2014)

3.4 Sample and Sampling Technique

A sample of 50 state corporations in Kenya was selected. The sample size represented 27% of the target population, which was appropriate representative sample for the study. Besides, the sample size was appropriate for the study considering time and cost factors. A simple random sampling method was suitable for the study because it would give each state corporation in the population an equal chance to be selected.

3.5 Data Collection

Primary data was used for this study. It was collected using self-administered questionnaires. The tool was also structured and the questions were in form of a five point Likert scale. It also consisted of both open and closed ended questions. The questionnaire had five sections. Section A asked questions on general information of the respondents. Section B sought information on the extent to which state corporations in Kenya practice contract management. In section C, questions were on determinants of effective contract management practice on state corporations in Kenya. Section D sought answers to challenges in contract management, while E contained questions on the effect of contract management on operational performance in state corporations in Kenya. The questions were designed to elicit responses for both qualitative and quantitative analysis. A drop and pick later method was used to administer them. An introductory letter (Appendix I) accompanied the questionnaires. The respondents were the contract managers of the selected state corporations.

3.6 Operationalization of Research Variables

The study involved independent and dependent variables; contract management practice and operational performance in state corporations, respectively. The independent variable is subdivided into five independent variables namely; contractor monitoring and acceptance management; contractor relationship management; contract administration; dispute resolution; and contract closure. These were operationalized as follows:

Table 3.1 Independent Variables

	Variables	Measures
1.	Contractor Monitoring and Acceptance	<ul style="list-style-type: none">• The contractor undertakes his duties and fulfills his obligations in compliance with the contract• The organization can identify any issues or problems in advance that could arise and offer timely solutions

		<ul style="list-style-type: none"> • It monitors, controls and evaluates the contractor's performance • It identifies and handles risks • It evaluates the quantity and quality of services, works, or products delivered
2.	Contractor Relationship Management	<ul style="list-style-type: none"> • The organization creates and maintains a positive relationship with the contractor • There is mutual trust between the organization and the contractor • There is a mutual understanding between the organization and the contractors • Regular communication between the organization and contractors • There is timely management of possible problems in the contract
3.	Contract Administration	<ul style="list-style-type: none"> • The organization maintains an updated form of the contract • The organization controls and manages contract variations • It pays the contractor on time • There is proper management of assets • It regularly drafts reports
4.	Dispute Resolution	<ul style="list-style-type: none"> • Uses appropriate procedures to resolve possible differences with the contractor • It ensures that each party is free to express its concerns • There is a 'win-win' situation for both the organization and the contractor
5.	Contract Closure	<ul style="list-style-type: none"> • It controls and certifies that both contracting

		<p>parties have honored their contractual responsibilities</p> <ul style="list-style-type: none"> • It controls and certifies activities involved in evaluating degree of successful contract execution • It ensures the achievement of expected results • It terminates contracts effectively
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Table 3.2 Dependent Variable

Variable	Measure
Operational Performance	<ul style="list-style-type: none"> • Contract management practice shortens the organization’s Procurement Cycle Time (Speed) • Contract management practice enhances the organization’s efficiency • Contract management practice enhances supplier relationship in the organization • Contract management practice ensures flexibility in the organization • Contract management practice reduces supplier defects rate

3.7 Data Analysis

This process entails making sense of the raw data gathered from the field so as to discover the existing relationship between contract management practices and state corporations in Kenya. First, the questionnaires were checked for completeness, consistency and accuracy. Both quantitative and qualitative techniques were used. Qualitative data analysis entailed a whole,

detailed description and content analysis, while quantitative method involved classification and counting of features, using charts and diagrams to explain the observations made (Mirkin, 2011). SPSS was necessary in coding, analyzing and describing each variable in the study. Descriptive statistics, such as, mean and standard deviation were useful in summarizing the research findings on the extent to which contract management is practiced; determinants of effective contract management; as well as challenges in practicing contract management. To compare the means and determine if they were significantly and statistically different, T-test was done with a significance level of $\alpha = 0.05$.

The study adopted the following regression analysis model to identify the relationship between the research variables.

$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + \epsilon_i$ where:

Y= Operational Performance index (Dependent variable)

a= Constant

$b_1, b_2, b_3, b_4, b_5, b_6$ and b_7 = Coefficients

X_1 = Contractor Monitoring and acceptance management

X_2 = Managing the contractor relationship

X_3 = Contract Administration

X_4 = Dispute resolution

X_5 = Contract Closure

ϵ_i =Error term

The study also used a multiple correlation coefficient R to test the strength of the relationship between the research variables. R^2 was used to test the strength of the Model. Besides, the ANOVA model was used, at a suitable level of confidence, to test the model's significance in establishing the relationship between the contract management practice and operational performance in state corporations in Kenya. Finally, charts, tables, and charts were used to present data.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the data findings on the contract management practice and operational performance of state corporations in Kenya. The study was done on sample size of 50 respondents, from out of which 35 responded, thus making a response rate of 70%. The study used a Likert scale to collect and analyze data and five-point scale was used to compute the means and standard deviations. Frequencies were used to analyse data on single response questions. The study also used regression analysis model to determine the relationship between contract management practice and operational performance in state corporations in Kenya. Finally, the data was presented using tables, charts, and graphs.

4.2 General Information

The study sought information on the name of the state corporations of the respondents, the time the corporations was formed, the respondents' age bracket, as well as the number of years the respondents' had worked in the respective organizations. The information was significant in testing the suitability of the respondents' ability to answer the questions on contract management and operational performance of state corporations in Kenya.

4.2.1 Operation Period of State Corporations

The study intended to establish the number of years that the corporations had been operational.

Table 4.1 Operation Period of State Corporations

Years of Operation	Frequency	Percentage (%)
1940-1959	3	8.6
1960-1979	7	20

1980-1999	21	60
2000-2019	4	11.4
Total	35	100

As per the research findings, 8.6% of the respondents indicated that they were formed between 1940 and 1959, while 20% of the state corporations reported to have been formed between 1960 and 1979. The study also reveals that state corporations formed between 1980 and 1999 constituted of 60% of the respondents, whereas those established between 2000 and 2019 formed 11.4% of the respondents. This shows that most of the state corporations have been operational for a long time so that they have stabilized their operations.

4.2.2 Respondents' Age Bracket

Table 4.2 Respondents' Age Bracket

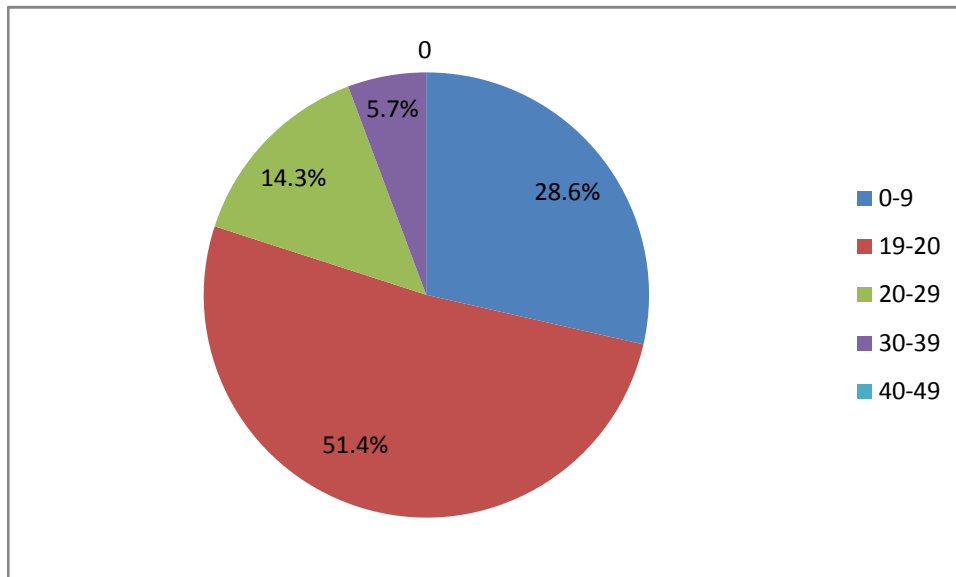
Age bracket	Frequency	Percentage
20-29	5	14.3
30-39	20	57.1
40-49	7	20
50-59	3	8.6
Total	35	100

According to the research findings, 14.3% of the respondents indicated that they fall under the age bracket of 20-29 years, 57.1% under 30-39 years; 20% under 40-49 years; and 8.6% fall under 50-59 years.. This shows that most of the respondents are between the ages of 30 and 39 years.

4.2.3 Respondents' Duration of Employment in the State Corporation

The study intended to determine the respondents' experience level on the basis of the length of time they have worked in the state corporation.

Figure 4.1 Respondents' Duration of Employment in the State Corporation



The chart above shows that majority of the respondents (51.4%) have worked in the organization for 19-20 years, while 28.6% have worked for 0-9 years. The chart also reveals that 14.3% have been in the state corporation for 20-29 years; 5.7% for 30-39 years; and 0% for 40-49 years. This shows that majority of the respondents had a lot of skills contract management practice due to several years of work in their respective state corporations. It is also evident from the results that the information collected from the state corporations is credible.

4.3 Contract Management Practice

The study's first objective was to establish the extent to which state corporations in Kenya practice contract management. The data collection instrument, questionnaire, of the study had various measures of effective contract management. The contract management practices were measured using a 5-point Likert scale where; 1=Strongly Disagree; 2=Disagree; 3=Not Sure; 4=Agree; 5=Strongly Agree.

4.3.1 Extent to which State Corporations Practice Contract Management

The study sought to find extent to which state corporations engage in contract management by analyzing specific contract management practices. A five-point Likert scale was employed where; 1=Strongly Disagree; 2=Disagree; 3=Not Sure; 4=Agree; 5=Strongly Agree. The mean and standard deviations were generated from the SPSS as shown below:

Table 4.3 Contractor Monitoring and Acceptance Management

Indicator	Mean	Standard deviation
The contractor undertakes his duties and fulfills his obligations in compliance with the contract	4.18	0.78
The organization can identify any issues or problems in advance that could arise and offer timely solutions	4.62	0.49
It monitors, controls and evaluates the contractor's performance	4.31	0.64
It identifies and handles risks	3.09	0.81
It evaluates the quantity and quality of services, works, or products delivered	3.81	1.20

As per the study findings, most of the respondents agreed to a great extent that their state corporations ensured that the contractor undertook his duties and fulfilled his obligations in compliance with the contract (M=4.18); that the organization could identify any issues or problems in advance that could arise and offer timely solutions (M=4.62) and the organizations monitored, controlled and evaluated the contractor's performance (M=4.31). On the other hand, most of the respondents agreed to a moderate extent that their organisations identified and handled risks (M=3.08) and their corporations evaluated the quantity and quality of services, works, or products delivered (M=3.81).

The results concur with Cropper (2008) that effective contractor monitoring and acceptance management involves a contractor undertaking his duties and fulfilling his obligations in compliance with the contract; identification of any issues or problems in advance that could arise and offer timely solutions; monitoring, controlling and evaluating the contractor's performance; identification and handling of risks as well as evaluating the quantity and quality of services, works, or products delivered.

Table 4.4 Contractor Relationship Management

Indicator	Mean	Standard deviation
The organization creates and maintains a positive relationship with the contractor	4.25	.51
There is mutual trust between the organization and the contractor	4.34	.55
There is a mutual understanding between the organization and the contractors	4.31	0.64
Regular communication between the organization and contractors	3.94	.84
There is timely management of possible problems in the contract	3.78	.91

According to the table above, majority of the respondents agreed to a great extent that their organisations created and maintained a positive relationship with the contractor (M=4.25); that there was mutual trust between their organisations and the contractors (M=4.34) and that there was mutual understanding between the corporations and the contractors (4.31). Most of respondents agreed to a moderate extent that there was regular communication between the organizations and contractors (M=3.94) and that there was timely management of possible problems in the contract (M=3.78). These findings agree with Hansson and Longva (2014) that effective contract relationship management involves creation and maintenance a positive relationship with the contractor; ensuring mutual trust between the organization and the contractor; ensuring mutual understanding between the organization and the contractors; regular

communication between the organisation and the contractors and timely management of potential problems in the contract.

Table 4.5 Contract Administration

Indicator	Mean	Standard Deviation
The organization maintains an updated form of the contract	4.41	.61
The organization controls and manages contract variations	4.56	.62
It pays the contractor on time	3.84	.81
There is proper management of assets	3.97	.54
It regularly drafts reports	4.00	.98

The study established that most of the respondents agreed to a great extent that their corporations controlled and managed contract variations (M=4.56); organizations maintained an updated form of the contract (M=4.41) and that regularly drafted reports (M=4.00). On contrast, majority of the respondents agreed to a moderate extent that their organizations had proper management of assets (M=3.97) and paid contractors in time (M=3.84). The study findings relate to Cmén, Gottfridsson and Rundh (2012) who argue that appropriate contract administration entails maintenance an updated form of the contract; controlling and management of contract variations; paying the contractor on time; regularly drafting reports and proper management of assets.

Table 4.6 Dispute Resolution

Indicator	Mean	Standard deviation
Uses appropriate procedures to resolve possible differences with the contractor	4.56	.62

It ensures that each party is free to express its concerns	4.25	.88
There is a 'win-win' situation for both the organization and the contractor	4.13	.66

This table shows that most of the respondents agreed to a great extent that their corporations used appropriate procedures to resolve possible differences with the contractor (M=4.56); ensured that each party is free to express its concerns (M=4.25) and that there was a 'win-win' situation for both the organization and the contractor (M=4.13). These findings concur with Camén, Gottfridsson and Rundh (2012) that good dispute resolution entails use of appropriate procedures to resolve differences, allowing each party to freely express its concerns, as well as ensuring a win-win situation for both parties.

Table 4.7 Contract Closure

Indicator	Mean	Standard Deviation
It controls and certifies that both contracting parties have honored their contractual responsibilities	3.96	.74
It controls and certifies activities involved in evaluating degree of successful contract execution	4.56	1.92
It ensures the achievement of expected results	4.46	1.72
It terminates contracts effectively	4.56	1.92

This table indicates that majority of the respondents agreed to a great extent that their corporations terminated contracts effectively (M=4.56); controlled and certified activities involved in evaluating degree of successful contract execution (M=4.56) and ensured the

achievement of expected results. Others agreed to a moderate extent that their state corporations controlled and certified that both contract parties have honored their contractual responsibilities. These results agree with Chong, Balamuralithara and Chong (2011) that contract closure should involve controlling and certifying that all parties have honored their contractual responsibilities; controlling and certifying that all activities of evaluation of successful contract execution; ensuring the achievement of expected results; and termination of contracts effectively.

4.4 Determinants of Effective Contract Management in the State Corporation

This section of the questionnaire sought to find out the determinants of effective contract management in the state corporations using a 5-point Likert Scale ranging from 1=Strongly Disagree; 2=Disagree; 3=Not Sure; 4=Agree; 5=Strongly Agree.

Table 4.8 Determinants of Effective Contract Management in the State Corporation

Indicator	Mean	Standard Deviation
Appropriate strategic decisions and drafts right contracts	4.18	0.85
There are effective evaluation procedures	4.40	.75
The contract management team has the necessary relevant qualifications, skills, knowledge and experiences for the job	4.00	.23
Contractors' performance is managed well	3.01	.98
It formulates a 'win-win' situation for both parties (organization and the contractor)	4.26	0.96
Ensures provision for implementing of changes (Flexible or adaptable)	4.00	.23
Clear description of processes and contract management plans	4.46	1.72
Parties take initiatives and preventive actions.	3.16	1.39
Has precise definition of roles	3.96	.74

The table shows that most of the respondents strongly agreed that their corporations had clear description of processes and contract management plans (M=4.46); had effective evaluation procedures (M=4.40); formulated a win-win situation for both parties (M=4.26); had appropriate strategic decisions and drafted right contracts (M=4.18); ensured provision for implementing of changes (M=4.00); and had qualified and experienced contract management team (M=4.00). On contrast, most of the respondents agreed that their organisations had precise definition of roles (M=3.96); that both parties have took initiative and preventive actions (M=3.16) and that contractors' performance was managed well (M=3.01). Therefore, the study findings agree with Cruz and Marques (2013); Uher & Davenport (2009) and Sanghera (2008) that effective contract management is determined by use of highly skilled and experienced professionals; effective evaluation procedures; clear description of processes and contract management plans; precise definition of roles; well management of contractor's performance; win-win situation for both parties; strategic decisions and right contracts; taking preventive actions and provision for changes (flexibility).

4.5 Challenges involved in Contract Management Practice

The section of the study aimed at identifying challenges affecting effective contract management practice in the state corporations. This was done using a five-point Likert scale ranging from 1=Strongly Disagree; 2=Disagree; 3=Not Sure; 4=Agree; 5=Strongly Agree.

Table 4.9 Challenges in Contract Management in State Corporations

Indicator	Mean	Standard Deviation
Unclear project scope hinders effective contract management practice	4.13	.66
Unrealistic timeline and budgets prevents effective contract management practice	4.25	.88
Corruption hampers successful contract management	4.56	.62

implementation		
Inflexibility is a setback to proper contract management practice	4.18	.78
Conflicts regarding payments prevents successful contract management practice	4.34	.55
Lack of cooperation limits effective contract management practice	4.00	.98
Statutory amendments makes it hard for effective contract management implementation	3.59	.56
Successful contract management practice can fail due to difficulty in managing data in different locations	3.78	.91
It is challenging to effectively track global contracts	3.16	.85
Insufficient use ICT limits proper contract management practice	4.03	1.06

As per the table above, majority of the respondents strongly agreed to the following as challenges to effective contract management practice in their organisations: corruption (M=4.56); conflicts regarding payments (4.34); unrealistic timeline and budgets (M=4.25); inflexibility (4.18); unclear project scope (4.13); insufficient use of ICT (M=4.03) and lack of cooperation (M=4.00). On the other hand, most of the respondents agreed that the following challenges are experienced in their organisations: statutory amendments (M=3.59); difficulty in managing data in different locations (M=3.78) and tracking global contracts (M=3.16). Thus, the study confirms that the most common challenges involved in contract management include corruption, unrealistic budgets and timelines, insufficient ICT, lack of cooperation, inflexibility, payment conflicts, unclear project scope, and statutory amendments (Choy, et al., 2007; Panesar & Markeset, 2008 and CMKN, 2012).

4.6 Operational Performance

The study aimed at establishing the effect of effective contract management on the state corporations' operational performance. The questionnaire required the respondents to rate their organizations' performance on the basis of the predetermined performance indicators including procurement cycle time, efficiency, flexibility, organization-supplier relationship, supplier defect rate. It used a five-point Likert scale in which 1=Very Low; 2=Low; 3=Average; 4=High; 5=Very High.

Table 4.10 Operational Performance

Outcome	Mean	Standard Deviation
How do you rate the organization's Procurement Cycle Time (Speed)?	3.09	0.81
How is your organization's efficiency?	4.31	0.64
How is the organization's supplier relationship?	4.18	0.78
How is the organization's flexibility?	4.62	0.49
How do you rate your organization's supplier defects rate?	2.93	1.305

This table illustrates that most of the respondents rated their organizations' operational performance upon the implementation of contract management practice as very high in relation to flexibility (M=4.62), efficiency (4.31) and organization's supplier relationship (M=4.18). Most of the respondents rated their corporations' performance as high in relation to procurement cycle time (M=3.09). In terms of the organizations' supplier defects rate, the majority of the respondents rated their organisations as low (M=2.93). Hence, the study concurs with Nysten-Haarala, Lee and Lehto (2010) that effective contract management improves operational performance of as measured by quality, flexibility, speed, supplier relationship, supplier defect rate and efficiency.

4.7 Effective Contract Management Practice and Operational Performance in State Corporations

The fourth objective of the study was to determine the effect of effective contract management practice on operational performance of state corporations in Kenya. To achieve this, a regression analysis model was used. Because of the study had more than one independent variables in form of contract management practices, there was need to conduct multiple regression analysis in order to establish the relationship between effective contract management practice (independent variable) on the operational performance (dependent variable) of state corporations in Kenya. The use of SPSS helped in coding, entering, and computing of the measurements of the multiple regressions for the research. Coefficient of determination was useful in explaining the extent to which changes in the dependent variable (operational performance of state corporations) can be influenced by the changes in the independent variables (contract management practices).

4.7.1 Model Summary

Table 4.11 Model Summary

Model	R	R²	Adjusted R²	Std. error of estimate
1	.798 ^a	.637	.589	.4778

Source: Research, 2014

Based on the independent variables studied, only 63.7% of the operational performance of the state corporations are explained and represented by the R². Therefore, this implies that other contract management practices not involved in the study contribute to 36.3% of the operational performance of the state corporations. Consequently, further study should be carried out to on the 36.3% contract management practices, which affect operational performance of state corporations.

4.7.2 ANOVA Results

Table 4.12 ANOVA

Model		Sum of squares	Df	Mean square	F	Sig.
	Regression	10.805	4	2.701	11.833	.001 ^a
	Residual	6.164	27	.228		
	Total	16.969	31			

As per the table above, the significance value is at 0.001^a that is less than 0.05. Therefore, the regression model is statistically significant in predicting how contract management practice affects the operational performance of state corporations. The F critical 5% level of significance was 3.23. Because F computed is greater than the F critical, value=11.833, this implies that the whole model was significant.

4.7.3 Coefficients of Determination

Table 4.13 Coefficients of Determination

Model		Unstandardized Coefficients	Standardized coefficients		t	Sig
		B	Std. Error	Beta		
1	Constant	2.460	.978		-2.517	.018
	Contract management practices	0.324	.165	.270	1.972	0.059

Multiple regression analysis was carried out to establish the existing relationship between operational performance and the five variables. As per the model, taking all the contract management practices into account constant at zero, operational performance of the state corporations will be 2.460. The analysis illustrates that, if all independent variables are held at

zero, a unit increase in contract management practices will cause a 0.324 increase in the operational performance of state corporations. This implies that contract management practices significantly contribute to the operational performance of the state corporations in Kenya. At a 5% of significance and a level of confidence of 95%, contract management practices had a 0.059 level of significance. This shows that there is a positive link between contract management practices and operational performance of state corporations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter intends to summarize the study findings, present the conclusion and offer recommendations in relation to effective contract management practice in state corporations in Kenya.

5.2 Summary of the Research Findings

The study established that the state corporations engaged in the effective contract management practices to a great extent. These activities include contractor monitoring and acceptance management, contractor relationship management, contract administration, dispute resolution, and contract closure. This shows that most of the state corporations in Kenya have embraced the idea of contract management in their procurement process so as to enhance their performance.

Regarding the determinants of effective contract management in state corporations, majority of the respondents strongly agreed that effective contract management involved setting appropriate strategic decisions and drafting of contracts; use of effective evaluation procedures; employing contract management team with relevant skills, qualifications, knowledge, and experience; good management of contractor's performance; formulation of a win-win situation for both parties; provision for implementation of change; clear description of processes and contract management plans; definition of roles precisely; and taking initiatives and preventive actions.

In terms of the challenges involved in contract management, the study discovered that most of the respondents strongly agreed that unclear project scope; unrealistic timeline and budgets; corruption; inflexibility; payment conflicts; lack of cooperation; and insufficient use of ICT hampers effective contract management. A few of the respondents agreed that tracking global

contracts; statutory amendments; and difficulty in managing data in various locations hinders effective contract management in the state corporations in Kenya.

Further, the study established that the most of the respondents rated their state corporations' operational performance as high, after implementing effective contract management, in terms of procurement cycle, flexibility, efficiency, and supplier relationship. Besides, most of the respondents indicated that their state corporations had low supplier defects rate due to effective contract management.

The regression analysis model used in the study established that if all other independent variables are held constant at zero, a unit increase in contract management practices will cause a 0.324 increase in operational performance of state corporations. This concludes that contract management practice contributes significantly to the operational performance of state corporations in Kenya. At a level of significance of 5% and 95% level of confidence, contract management practice had a level of significance of 0.059.

5.3 Conclusion

Based on the findings, most of the state corporations in Kenya practice good contract management. This is illustrated by the fact that they engage in contract management practices: contractor monitoring and acceptance management, contractor relationship management, contract administration, dispute resolution, and contract closure. Additionally, most of the state corporations in Kenya strongly agree that measures of effective contract management include setting appropriate strategic decisions and drafting of contracts; use of effective evaluation procedures; employing contract management team with relevant skills, qualifications, knowledge, and experience; good management of contractor's performance; formulation of a win-win situation for both parties; provision form implementation of change; clear description of processes and contract management plans; definition of roles precisely; and taking initiatives and preventive actions.

Furthermore, the study concludes that the common challenges involved in effective contract management in state corporations in Kenya include unclear project scope; unrealistic timeline and budgets; corruption; inflexibility; payment conflicts; lack of cooperation; and insufficient use of ICT. It is also clear from the study findings that state corporations that practice effective contract management realize high efficiency, flexibility and supplier relationship. They also experience short procurement cycle time and low supplier defects rate. What is more, it is clear that there is a positive relationship between effective contract management practice and operational performance of state corporations in Kenya.

5.4 Recommendations

The study recommends that the state corporations' management in Kenya must strive to improve their contract management practices so as to boost their operational performance. There is also a need for the state corporations' management in Kenya to invest in constant training of their employees on effective contract management practices to enhance their performance. Further, the study recommends that the state corporations in Kenya should put in place appropriate measures that ensure that potential risks regarding contract management and detected in advance and mitigated to enhance operational performance.

It is also critical for the state corporations in Kenya to ensure adequate use of information technology in order to improve quality, speed, effectiveness and efficiency of their contract management practices. As well, since change is an inevitable aspect of life, state corporations should establish ways and means of coping with it so as to ensure that all contractual parties are satisfied.

5.5 Suggested Areas of Further Research

The study suggests that further research should be conducted on contract management practice and organizational performance in state corporations in Kenya.

It is also important to carry out a study on contract management practice and operational performance in the private sector in Kenya.

In addition, there is a need to conduct a study on contract Management practice and organizational performance in private sector in Kenya.

Further study should also be conducted to establish the challenges involved in contract management in the private companies in Kenya.

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APPENDICES

Appendix I: Introductory Letter

Dear Respondent,

I am an MBA student at the University of Nairobi's School of Business. Currently, I am undertaking my research project on contract management practice and operational performance in state corporations in Kenya.

Attached is the questionnaire for collecting data that will be used in the aforementioned study.

You have been selected as one of the respondents in this study. Therefore, kindly answer the questions herein in order to facilitate the data collection process. The information sought is purely for academic purposes and will be accorded utmost confidentiality. Thank you in advance.

Yours Faithfully,

Joyce Cherotich Rotich.

Appendix II: Questionnaire

Please answer the following questions by ticking in the brackets or filling in the blank spaces provided.

Section A: General Information

1. What is the name of your organization?

2. Please indicate by ticking category under which the organization was formed.

1900-1919	1920-1939	1940-1979	1980-1999	2000-2019

3. Please indicate by ticking your age bracket below.

20-29	30-39	40-49	50-59	60-69

4. For how long have you worked in the organization

1-9 years	10-19 years	20-29 years	30-39 years	40-49 years

Section B: Extent to which the State Corporation Practices Contract Management

Please indicate by ticking the extent to which you agree with the following statements.

Use the following scale:

1=No Extent; 2=Little Extent; 3=Moderate Extent; 4=Great Extent; 5=Very Great Extent

Contractor Monitoring and Acceptance Management

Indicator	1	2	3	4	5
The contractor undertakes his duties and fulfills his obligations in compliance with the contract					
The organization can identify any issues or problems in advance that could arise and offer timely solutions					
It monitors, controls and evaluates the contractor's performance					
It identifies and handles risks					
It evaluates the quantity and quality of services, works, or products delivered					

Contractor Relationship Management

Indicator	1	2	3	4	5
The organization creates and maintains a positive relationship with the contractor					
There is mutual trust between the organization and the contractor					
There is a mutual understanding between the organization and the contractors					
Regular communication between the organization and contractors					

There is timely management of possible problems in the contract					
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Contract Administration

Indicator	1	2	3	4	5
The organization maintains an updated form of the contract					
The organization controls and manages contract variations					
It pays the contractor on time					
There is proper management of assets					
It regularly drafts reports					

Dispute Resolution

Indicator	1	2	3	4	5
Uses appropriate procedures to resolve possible differences with the contractor					
It ensures that each party is free to express its concerns					
There is a 'win-win' situation for both the organization and the contractor					

Contract Closure

Indicator	1	2	3	4	5
It controls and certifies that both contracting parties have honored their contractual responsibilities					
It controls and certifies activities involved in evaluating degree of successful contract execution					
It ensures the achievement of expected results					
It terminates contracts effectively					

Section C: Determinants of Effective Contract Management in the State Corporations

Please indicate by ticking the extent to which you agree with the following statements.

Use the following scale:

1=Strongly Disagree; 2=Disagree; 3=Not Sure; 4=Agree; 5=Strongly Agree

Indicator	1	2	3	4	5
Appropriate strategic decisions and drafts right contracts are made					
There are effective evaluation procedures					
The contract management team has the necessary relevant qualifications, skills, knowledge and experiences for the job					
Contractors' performance is managed well					
It formulates a 'win-win' situation for both parties (organization and the contractor)					

Ensures provision for implementing of changes (Flexible or adaptable)					
Clear description of processes and contract management plans					
Parties take initiatives and preventive actions.					
Has precise definition of roles					
Others					

Section D: Challenges involved in Contract Management Practice.

Please indicate by ticking the extent to which you agree with the following statements

Use the following scale:

1=Strongly Disagree; 2=Disagree; 3=Not Sure; 4=Agree; 5=Strongly Agree

Indicator	1	2	3	4	5
Unclear project scope hinders effective contract management practice					
Unrealistic timeline and budgets prevents effective contract management practice					
Corruption hampers successful contract management implementation					
Inflexibility is a setback to proper contract management practice					
Conflicts regarding payments prevents successful contract management practice					
Lack of cooperation limits effective contract management practice					

Statutory amendments makes it hard for effective contract management implementation					
Successful contract management practice can fail due to difficulty in managing data in different locations					
It is challenging to effectively track global contracts					
Insufficient use ICT limits proper contract management practice					
Others					

Section E: Operational Performance

Please indicate by ticking the extent to which your organization has experienced the operational outcomes as a result of implementing contract management practice in your organization.

Use the following scale:

1=Very Low; 2=Low; 3=Average; 4=High; 5=Very High

Outcome	1	2	3	4	5
How do you rate the organization's Procurement Cycle Time (Speed)?					
How is your organization's efficiency?					
How is the organization's supplier relationship?					
How is the organization's flexibility?					
How do you rate your organization's supplier defects rate?					

Appendix III: List of State Corporations in Kenya

1. Agricultural Development Company Ltd
2. Agricultural Finance Corporation
3. Agricultural Information Resource Center
4. Agro-chemical and Food Company
5. Athi Water Services Board
6. Bomas of Kenya
7. Bondo University
8. Brand Kenya board
9. Bukura Agricultural College
10. Capital Markets Authority
11. Catering and Tourism Development Levy Trustee
12. Center for Mathematics and Science Teachers in Africa
13. Central Bank of Kenya
14. Chemelil Sugar Company
15. Chuka University
16. CIC
17. Coast Development Authority
18. Coast Water Services Board
19. Coffee Board of Kenya
20. Coffee Development Fund
21. Coffee Research Foundation
22. Commission for Higher Education
23. Commission on Revenue Allocation
24. Competition Authority of Kenya
25. Consolidated Bank of Kenya
26. Constituencies development fund
27. Co-operative college of Kenya
28. Council for Legal Education

29. East African Portland cement
30. Egerton University
31. Energy Regulatory Commission
32. Ewaso Ngiro North Development Authority
33. Export Processing Zones Authority
34. Geothermal Development Company
35. Higher Education Loans Board
36. Horticultural Crops Development Authority
37. IDB Capital Ltd
38. Industrial & Commercial Evaluation Corporation
39. Insurance Regulatory Authority
40. Jaramogi Oginga Odinga University of Science and Technology (JOOUST)
41. JKUAT
42. Jomo Kenyatta Foundation
43. Kabianga University
44. Karatina University
45. KASNEB
46. KBC
47. Kenya Accreditation Service
48. Kenya Agricultural Research Institute
49. Kenya Airports Authority
50. Kenya Anti-corruption Authority
51. Kenya Bureau of Standards
52. Kenya Civil Aviation Authority
53. Kenya Coconut Development Authority
54. Kenya College of Communication and Technology
55. Kenya Commercial Bank
56. Kenya Communications Commission
57. Kenya Copyright Board
58. Kenya Cultural Centre

59. Kenya Dairy Board
60. Kenya Education Management Unit
61. Kenya Electricity Generating Company
62. Kenya Electricity Transmission Board
63. Kenya Electricity Transmission Company
64. Kenya Export Processing Zone
65. Kenya Ferry Services
66. Kenya Film Classification Board
67. Kenya Film Commission
68. Kenya Forest Service
69. Kenya Forestry Research Institute
70. Kenya Industrial Estates Ltd
71. Kenya Industrial Property Institute (KIPI)
72. Kenya Information & Communication Board
73. Kenya Institute of Education
74. Kenya Institute of Public Policy Research & Analysis (KIPPRA)
75. Kenya Institute of Special Education
76. Kenya Investments Authority
77. Kenya Leather Development Authority
78. Kenya Literature Bureau
79. Kenya Marine Fisheries Research Institute
80. Kenya Maritime Authority
81. Kenya Meat Commission
82. Kenya Medical Practitioners & Dentists Board
83. Kenya Medical Research Institute
84. Kenya Medical Supplies Authority
85. Kenya medical training college
86. Kenya National Assurance Company
87. Kenya National bureau of statistics
88. Kenya National Examination Council

89. Kenya National Highways Authority
90. Kenya National Library Service
91. Kenya National Shipping Line Ltd
92. Kenya National Trading Corporation
93. Kenya Pipeline Company
94. Kenya Plant Health Inspectorate Service (KEPHIS)
95. Kenya Ports Authority
96. Kenya Post Office Savings Bank
97. Kenya Power and Lighting Company
98. Kenya Railways Corporation
99. Kenya Reinsurance Corporation
100. Kenya Revenue Authority
101. Kenya rural roads authority
102. Kenya Safari Lodges & Hotels
103. Kenya School Equipment Production Unit
104. Kenya School of Government
105. Kenya School of Law
106. Kenya Seed Company
107. Kenya Sisal Board
108. Kenya Sugar Board
109. Kenya Sugar Research Foundation
110. Kenya Tourist Board
111. Kenya Trade Agency Network
112. Kenya urban roads authority
113. Kenya Utalii College
114. Kenya veterinary vaccines production institute
115. Kenya Vision 2030 delivery secretariat
116. Kenya Water Institute
117. Kenya Wild Life Service
118. Kenya Wine Agencies Ltd

119. Kenyatta International Conference Centre
120. Kenyatta National hospital
121. Kenyatta University
122. Kerio Valley Development Authority
123. Kimathi University
124. Kisii University college
125. Lake Basin Development Authority
126. Lake Victoria North Water Services Board
127. Lake Victoria South Water Services Board
128. LAPSSET Corridor Development Authority
129. Likipia University
130. Maasai Mara University
131. Maseno University
132. Masinde Muliro University
133. Media Council of Kenya
134. Moi Teaching & Referral Hospital
135. Moi University
136. Mombasa Technical University
137. Multimedia University of Kenya
138. National AIDS Control Council
139. National Bank of Kenya
140. National Bio-Safety Authority
141. National Campaign against Drug Abuse
142. National Cereals and Produce Board
143. National Coordinating Agency For Population And Development
144. National Council For Science And Technology
145. National Crime Research Centre
146. National Drought Management Authority
147. National Environment Management Authority
148. National Housing Corporation

149. National Industrial Training Authority
150. National Irrigation Board
151. National Museums of Kenya
152. National Oil Corporation of Kenya
153. National Quality Control Laboratory
154. National Water Conservation & Pipeline Corporation
155. New Kenya Co-operative Creameries
156. NGOs Coordination Board
157. NHIF
158. NSSF
159. Nyayo Tea Zones Development Authority
160. Nzoia Sugar Company
161. Office of the Auditor General
162. Parliamentary Service Commission
163. Pest Control Products Board
164. Pharmacy & Poisons Board
165. Postal Corporation of Kenya
166. Public Procurement Oversight Authority
167. Pwani University
168. Pyrethrum Board of Kenya
169. Rural Electrification Authority
170. South Nyanza Sugar Company
171. Sports Stadia Management Board
172. State Corporations Appeal Tribunal
173. Tana and Athi Rivers Development Authority
174. Tea Board of Kenya
175. Tea Research Foundation of Kenya
176. Teachers Service Commission
177. Technical University of Kenya
178. The Government Press

179. The Sacco Regulatory Authority
180. The Water Services Regulatory Board
181. Transitional Authority
182. Uchumi Supermarket
183. University of Eldoret
184. University of Nairobi
185. University of Nairobi Enterprises & Services Ltd
186. Water Resources Management Authority
187. Youth Enterprises Development Board