

# Effect of Contract Management on Organization Performance in The Telecommunication Sector in Kenya: A Case of Airtel Kenya

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**Abstract-** The purpose of this study was to establish the effect of contract management on organizational performance in telecommunication sector in Kenya. The specific objectives were: Contract Planning, Contract administration, contract and dispute resolution on organizational performance in telecommunication sector in Kenya. The study took place at Airtel headquarters, Nairobi along Mombasa road. The study used descriptive research design for this study, where both quantitative and qualitative research was applied to support each other.

**Index Terms-** Contract Planning, Contract administration, contract and dispute resolution

## I. INTRODUCTION

Contract management are the activities of a buyer (KLB) during a contract period to ensure that all parties to the contract fulfil their contractual obligation (Bailey, 2008). Contract life cycle management is the process of systematically and efficiently managing the contract creation, execution and analysis of maximizing operational and financial performance and minimizing (Banyenzaki, 2016). A sales contract is a contract between a company (the seller) and a customer that where the company agrees to sell products and/or services. The customer in return is obligated to pay for the product/services bought. A purchasing contract is a contract between a company (the buyer) and a supplier who is promising to sell products and/or services within agreed terms and conditions. The company (buyer) in return is obligated to acknowledge the goods / or service and pay for liability created (Shah, 2010).

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. Contract management pertains to preparation of procurement documentation, the processing and approval of such documentation, monitoring contract implementation, approving and administering contract variations

and modifications, and possibly cancelling or terminating contracts (Shah, 2010).

Contract administration management contract is the management of contracts made with vendors, customers, employees or partners. Contract management involves negotiating the conditions in contracts and terms and ensuring obedience with the terms and conditions, as well as documenting and harmonizing on any changes or adjustments that may come up during its execution or implementation. It can therefore be summed up as the process of efficiently and systematically, execution and managing contract creation, and analysis for the purpose of maximizing operational performance together with financial and minimizing risk (Rotich, 2014).

Contract life cycle management is the process of efficiently and systematically managing contract creation, analysis and execution for maximizing financial and operational performance and minimizing risk. The foundations for effective and successful post-award contract management rely upon careful, comprehensive and thorough implementation of the upstream or pre-award activities. At the pre-award stages, the emphasis should be concentrated on why the contract is being developed and on whether the supplier is capable to deliver in service and technical terms. However, cautious consideration must be given to how the contract will work once awarded (Sekaran & Bougie, 2013).

A sound contract management of a project revolves around control of cost, time, quality and resources. Cost control means the execution and completion of the project within the agreed time schedule; quality control means execution of the project in conformance with technical requirement and specification; resource control refers to the management resources personnel, equipment, and supplies. These key deliverables in contract are echoed by Meredith and Mantel (2012), who emphasize on planning, monitoring and controlling of time, cost and scope. For each contract entered into, the procuring entity must designate a member of staff, or a team of staff, as the contract administrator responsible for administering the contract. There

### 1.2.1 Statement of the Problem

With ever turbulent business environment in the telecommunication industry in Kenya, Airtel Kenya has been facing a challenge of increased operating cost dictated by low profit margins (Oluka & Basheka, 2014). In the telecommunication industry Airtel Kenya commands a 25 per cent market share, while Safaricom the market leader has 67 percent,

this has made Airtel Kenya to engage in a mighty [battle against Safaricom](#) for Kenya's growing mobile market. Airtel Kenya has been struggling over the years to gain market share from its competitor Safaricom, but these efforts has not yielded any positive results (Olang, 2017). In 2016 Airtel lost 7.8% of its subscribers, which negatively affected their profits. These challenges facing Airtel Kenya has been attributed to poor contract management, which is attributed to corruption, incompetence and lack of skill among procurement staff (Oluka & Basheka, 2014). Turbulent business environment requires firm to devise strategies to reduce operating cost while maintaining efficiency in operation and quality service delivery, contract management plays a key role in ensuring that this is achieved (Cho & Pucick, 2015). 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. Contract management improves an organization's operational performance as indicated by various measures, such as, quality, flexibility, speed, efficiency, and supplier relationship (Olang, 2017).

Empirical studies on contract management have been done but a few deals with role it plays on organizational performance. Kakwezi (2012) did a study on procurement contract management in public procurement and disposal entities, Rotich (2014) studied on contract management practice and operational performance of state corporations in Kenya. Mugo (2014) did a study on factors affecting contract management in public procurement sector in Kenya. In a study done by Ronnberg-Sijodin (2013) on life cycle viewpoint on buyer-supplier relationship in process the process of developing projects Smith, Peter, Damien and Peter (2014) conducted a study on effects of early contractor involvement (ECI) in public procurement in Australia.

From the available studies done in the Kenyan context there are few empirical evidence specifically on the areas of contract management on organizational performance in the telecommunication sector itself. This necessitated the need to do a study so as to validate this finding with the available studies. Finally arrive at an agreed consensus and create the new knowledge to bridge the gaps which this study sought to fill. This study sought to establish the effect of contract management on organization performance in the telecommunication sector in Kenya.

### 1.2.1 General Objective

The general objective of the study was to establish the role of contract management on organization performance in the telecommunication sector in Kenya.

### 1.2.2 Specific Objectives

The study was guided by the following specific objectives

- 1.To determine the role of contract planning on organization performance in the telecommunication sector in Kenya.
- 2.To assess the role of contract administration on organization performance in the telecommunication sector in Kenya.
- 3.To find out the role of contract evaluation on organization performance in the telecommunication sector in Kenya.
- 4.To establish the role of dispute resolution on organization performance in the telecommunication sector in Kenya.

## 2.3 Contract Management Theory

Contract management theory is thought to relevant for this study in understanding how contract planning has effect on organizational performance in the telecommunication sector, hence it gives a theoretical background for this study. According to Fink (2006) contract management theory can be interpreted as category management, contract administration and contracting processes. While category management is about managing the contracting processes initiation, contract management is addressed by Douglas (2003) who speaks of contract management as the management of the engagement administration of all term agreements by which means a contract is closed. He stressed that this is the contract management process for ensuring that the right information is in the right place at the right time, to support the whole of the contracting process. In project disciplines, this can be achieved by distributing contract information to all primary project stakeholders to determine and assess an optimal supply base (Cheung & Suen, 2002).

The contracting process is the third interpretation of contract management and is where contract realization is managed. This process is connected to both the category management process and the contract administration process (Douglas, 2003). Contracting processes are initiated by category management and are from there supported by the contract administration process. This administration process is necessary during the whole contracting process in order to assure quality, efficiency and effectiveness (Cheung & Suen, 2002).

### 2.3.1 Theory of Constraints

Theory of Constraints is thought to relevant for this study in understanding how contract administration has effect on organizational performance in the telecommunication sector, hence it gives a theoretical background for this study. According to Douglas (2003) theorized that the Theory of Constraints (TOC) is a philosophy of management and improvement originally developed by Goldratt and introduced in his book, *The Goal*. It is based on the fact that, like a chain with its weakest link, in any complex system at any point in time, there is most often only one aspect of that system that is limiting its ability to achieve more of its goal. For that system to attain any significant improvement that constraint must be identified and the whole system must be managed with it in mind. In borrowing this concept, buyers seek to identify the constraints in the supply chain that emanates from poor buyer/supplier relationship and then work collectively to eliminate the constraint thus improving the functions and aspirations of each, more specifically, procurement functions for the buyer (Chiappori & Salanie, 2003). The TOC Thinking Processes, taken as a whole, provides an integrated problem-solving methodology that addresses not only the construction of solutions, but also the need for communication and collaboration that successful implementation of supply chain functions requires (Douglas, 2003).

### 2.3.2 Transaction Cost Economies Theory

Transaction Cost Economies Theory is thought to relevant for this study in understanding how contract evaluation has effect on organizational performance in the telecommunication sector, hence it gives a theoretical background for this study. According to Ross (1973) Transaction Cost theory might be one of the most

important organization theories because of the studies that have been encouraged through it and is one of the main perspectives in organizational studies (Douglas, 2003). The vital commitment of Transaction cost economics to organization theory, resulted in a wide range of empirical contributions, using transaction cost economics, for instance as a make or buy decision help, or verification of the right contract mode. Transaction Cost Economics (TCE) inspects how business partners who collaborate with each other shield one another from harmful subsidiary with differing relationships.

It has been the most important new institutional theory which puts the accentuation on the decision on the sourcing predicament, if to outsource or not. The sourcing situation of a firm is likewise described as the make-or-buy decision of a firm (Christopher, 2009). The two primary drivers of Transaction Cost Economics are uncertainty caused by the external environment and costs, which consist of Coordination costs and Transaction costs (Ross, 1973). Transaction Cost Economics focuses on the organization of transactions that occur whenever a good or service is transferred from a provider to a user across a technologically separable interface. When transactions occur within an organization, the transaction costs can include managing and monitoring personnel and procuring inputs and capital equipment. The transaction costs of buying the same good or service from an external provider can include the costs of source selection, contract management, performance measurement, and dispute resolution. Thus, the organization of transactions, or "governance structure," affects transaction costs. This theory was therefore useful in discussing the role of contract administration and contract evaluation on organization performance (Cheung & Suen, 2002).

They have been used to create powerful generic, "starting-point" solutions for various supply chain inefficiencies, including: Long supplier lead-times, Incoming quality problems, Late or unreliable raw material or purchased part deliveries, Raw material shortages, Poor quality. In this connection then chances are good that an organizations constraint is in the supply chain that it rely on and the policies and practices associated with your relationships with suppliers. The challenge is to get from your suppliers what you need from them to be effective, whether it's better delivery performance, quality, or other aspect of what they supply to the organization (Christopher, 2009). The main aim of every company is to increase the profit. According to this point of view, constraints are the main obstacles in achieving the aims of companies. In other words, anything that gets in the way of gaining more profit is considered a constraint (Cheung & Suen, 2002). The identification of the constraint is the basis for improving the production system. This theory was therefore applicable in this study in determining the role of Contract Planning on organization performance at Airtel Kenya.

### 2.3.3 Principle Agent Theory

Principle Agent Theory is thought to be relevant for this study in understanding how dispute resolution has effect on organizational performance in the telecommunication sector, hence it gives a theoretical background for this study. According to Cheung & Suen, (2002) an agency relationship is defined as one in which one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which

involves delegating some decision-making authority to the agent (Ross, 1973). The cornerstone of agency theory is the assumption that the interests of principals and agents diverge. According to agency theory, the principal can limit divergence from his interests by establishing appropriate incentives for the agent, and by incurring monitoring costs designed to limit opportunistic action by the agent. This study therefore adopts the view that it is prudent to monitor and control the critical factors of project performance (as defined in the Success Factors Model) within a contracting arrangement (as defined in the Agency Theory) to ensure the success of outsourced projects in the organization.

The principal-agent theory can be applied to this study with Airtel company as a principal and project suppliers as agents. According to Fink (2006) the underlying principle of the contract theory is that there should be a clear understanding of the needs of the principal and ability of the agent to meet these needs competently. The theory becomes significant to the study as it highlights the need for strategic planning in project contract management. When a project contract is well defined and planned, the principal and agents will find it easy to meet needs of each other in an efficient way resulting into timely execution of the projects in predetermined service level. According to the principal-agent theory, the relationship between the two parties also involves self-interest of each party. It is commonly assumed that all participants in the project will work together in order to achieve the same goal (Douglas, 2003). However, there is a potential conflict of interests between the participants because they all have their self-interests too. Therefore, agency theory was used to investigate the role contract management on organization performance at Airtel Kenya.

### 2.4 Contract Planning

Contract planning is concerned with identifying and executing the structure, format and content of the contracting mechanism the organization needs with their partners (Burgess & White, 2015). Good contract planning formalizes relations between parties within a robust legal framework, but is much more besides; it is an opportunity to define the arrangements that encompass every aspect of what outcomes the organization wants from the supplier and how it wants the relationship to work (Ballou, 2017). This means that the organization needs to take an active role in the development of the contractual mechanism early on; it should not be left as a supplementary activity post negotiation. At preparation of every contract the level of contribution to contract quality and risk ensuring needs to be weighted, it is not reasonable to use too much time for negotiating on all details. However, being innovative in the development of contract is not only reasonable but also one of the key factors for success (Haapio & Järvinen 2014). When planning the contract management for the company, following issues should be considered and included: Prevailing contract practices, contract and Agreements and Financial appropriateness.

There are three primary inputs to contract planning - the business requirements, the relationship requirements and the proven standard legal framework or terms relevant to what we are trying to contract for. A contract is the cornerstone to any business transaction. In this economic environment, companies that treat all contracts alike often then fail to realize or meet expectations with regard to logistics, services, quality of procured product or service,

address embedded risks and often fall short of overall business targets. 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. CMKN (2012) highlights some of the factors that contribute to inefficiency in public procurement in Kenya's public procurement. One of the factors identified was poor planning which negatively affects public procurement in the country (Goldratt, 2017).

Improving the area of contractual controls should be a focus for most companies. In recent studies it has been shown that ineffective control and management of supplier contracts costs businesses \$153 billion per year in missed savings opportunities and increased risks. 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. According to Munive-Hernandez, Dewhurst, Pritchard and Barber (2014), planning involves the plan or pattern of act that adds company main goals, policies and action systems are unified into a whole. According to Ballou (2017), planning also involves developing the tracking and assessment method that will be used to monitor the project process. To build your company to a performing level within the industry, the business has to strategize and employ the use of strategic planning practices. These are key characteristics which are vital towards founding and positioning the business strategically in the market (Mutua, 2014).

Contracts may be complex but the dynamics that govern their creation are simple: one side wants the largest amount of revenue, the other the smallest expense. Regardless of the values attributed to your contractual position, one lesson is vital -the value of a contract is realized only after it is signed. One issue holds true -tuck your contracts away in a drawer and you could not only lose out on benefits you've sought to secure, but also increase your risk and limit performance. You could be opening yourself up for a multitude of new risks. Types of contract risk that can erode the value of a contract include poor or perverse incentives, bad planning and demand management, ill-informed buying, deliberate contract manipulation, embedded options, elaborate pricing structures, and miscommunication (Mutua, 2014). Success of the contract depends on the information captured regarding the terms of the contract and the strategic objectives leading to the contractual relationship, How often do the organization review the contracts and documentation of discoveries made, How organization get the information they need to monitor and manage the suppliers, How they measure the value they get from suppliers, how they monitor pricing adjustments, price list additions or other amendments that have altered the original contract? One of the major functions of contracting is to ensure that risks to owners and contractor are identified and managed in a way that both parties are satisfied with the project outcome (Nair & Vinod 2015).

#### 2.4.1 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). Contract administration starts with developing clear, concise performance based statements of work. The statement of work should be the roadmap for contract administration. Therefore, planning for contract administration occurs prior to issuance of the solicitation. The goal of contract administration is to ensure the contract is satisfactorily performed and the responsibilities of both parties are properly discharged. Effective contract administration minimizes or eliminates problems and potential claims and disputes. A key factor in successful contract administration is communication. It is essential for contract administrators to understand the provisions of the purchase document, have the ability to communicate contract obligations to all parties involved, and maintain control over the contract performance. A good contract manager ensures that the contract requirements are satisfied, that the goods and services are delivered in a timely manner, and that the financial interests of the agency are protected (Nair. & Vinod, 2015).

Contract managers must have sufficient knowledge of contracting principles as it relates to their responsibilities in administering the contract. It is the contractor's responsibility to perform and meet the requirements of the contract. To do so, contractors sometimes need technical direction and approval from agency personnel. Agency personnel must provide this technical direction and approval in a timely and effective manner. All guidance provided to a contractor must be within the scope of the contract (Trent, 2013) Monitoring focuses on collecting and analysing information to provide assurance to the acquiring entity that progress is being made in line with agreed timeframes and towards providing the contract deliverables. Monitoring can be undertaken directly by the acquiring entity or through a third party arrangement. Monitoring the performance of suppliers is a key aspect of P&SM and one that requires a range of skills, in particular relationship management. It is the responsibility of the P&SM professional to negotiate and agree appropriate performance criteria at the time the contract is let and these measures, together with a commitment to continual improvement should be clear to all concerned. The level and frequency of performance monitoring is dependent on the value and criticality of the contract to the buying organisation; it need not be the P&SM professionals that carry out this function or indeed the wider role of contract management, however the function should always be supported by the P&SM team (Umana, 2019).

#### 2.4.2 Contract Evaluation

Contract evaluation encompasses the overall performance of the contract and of the acquiring entity's management of the contract. The evaluation of the operation of the contract and of contract outcomes is very useful in understanding and improving overall contract management, improving contractor performance and also assists in future stakeholder decision-making (Venkatraman & Ramanujam, 2010). An evaluation should be undertaken at the end of all contracts and should be planned for in advance. When a transition from one contract to another is to occur, it is better practice for an evaluation to be undertaken before the contract ends so that any problems that have occurred with aspects of the contractual arrangement are identified and, where appropriate, improvements made in the future contractual arrangements (Prosidian, 2014).

Evaluations can be conducted in-house by the acquiring entity or a third party can be contracted to undertake the evaluation (Smith, Peter, Damien & Peter, 2014). This latter approach has advantages in providing an independent view of the contracting arrangement. The organization should have the following for evaluation to be successful; an evaluation plan that sets out clear terms of reference, methods and sources of data collection and analysis, budget, clear timeframes and reporting arrangements; relevant skills to manage and conduct the evaluation (either in-house or through contracted personnel); senior management support; an evaluation report in which conclusions are supported by the data; and recommendations that provide an indication of their likely benefits (Robson, 2013). For contracts, the evaluation should be a thorough and independent review that is informed by those involved in establishing and managing the contract. The evaluation will need to be tailored to the particular circumstances but should consider both the effectiveness and efficiency of the arrangement. To get the best out of the evaluation, entities should: review all aspects of contract performance and its management; provide feedback to the contractor; this should not be done as part of another procurement process; report to stakeholders; and identify lessons learned (Bartsiotas, 2014).

#### 2.4.3 Dispute Resolution

Dispute resolution is the process of resolving disputes between [parties](#). If disputes are not properly managed, they may cause project delays, undermine team spirit, increase project costs, and, above all, damage business relationships (Rob & Simon, 2012). With the increase in the number of participants in a construction project, more business interactions and arguments end up with an increase in the number of construction disputes (Robson, 2013). Research in preventing and resolving disputes supports the effort for better understanding and harmonization of the different cultures (Sekaran & Bougie, 2013). It was rightly stated "without understanding there can be no friendship. If one wishes to understand a people one must identify oneself with them. One must study their language, customs and culture and they will be one's friend". The study of Rob and Simon (2012)) provided a good reference of the common sources of construction disputes.

The sources of construction disputes are largely related to contractual matters, including variation, extension of time, payment, quality of technical specification, availability of information, administration and management, unrealistic client expectations and determination. On the other hand, the works of Sekaran and Bougie, (2013) and Centre for Public Resources suggested that disputes could be caused by cultural and contractual matters, and Osoro et al. (2015) believed that conflict of laws and jurisdictional problems could also lead to disputes, and therefore, these sources should not be overlooked. Taking into account the literature, a consolidated list of sources of disputes was developed by Otieno (2010), in his study of dispute management of international construction projects. The list includes variations, extension of time, payments, quality of works, technical specification, and availability of information, management, unrealistic client expectations, risk allocation, project scope definition, poor communication, difference in ways of doing things, lack of team spirit, previous working relationships, adversarial approach in handling disputes, unfamiliar with local

conditions, conflict of laws, jurisdictional problems, lack of local legal system, and unclear contractual terms.

#### 2.4.4 Organizational Performance of Telecommunication Sector

The main objective of the organizations is to make profits, for this to be achieved it must be doing well on different functions of the organization, including procurement function. Procurement can play this important role by proper contract management (Robson, 2013). A relevant aspect related to contract management is to link the contract management with the overall buying firm's corporate strategy; this will enable organizations to realize that proper contract management can save the organization enormous profits. Organizational performance is measured by looking at its overall profitability, cost structure and how buyers are being treated by the sale representatives. Modern institutions have seen the need of proper contact management, which include reduction on overall cost of the organizations, which impact positively on the profit margins (Otieno, 2010).

With reference to Piga and Treumer (2013), 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 (Robson, 2013). According to Venkatraman and Ramanujam (2017) empirically demonstrated that growth and profitability were distinctly different measures of performance. Sales growth, profit growth, and profitability are discriminate measures of different dimensions of business performance. Sales growth was represented by the percentage change in sales for each company in the sample over a single year, adjusted for the industry average based upon the firm's primary SIC code. Profit growth was operationalized as the percentage change in net income over one year adjusted for the industry average. The profitability construct was represented by return on investment (Robson, 2013).

In business, the purpose of the return on investment (ROI) metric is to measure, per period, rates of return on money invested in an economic entity in order to decide whether or not to undertake an investment (Otieno, 2010). It is also used as an indicator to compare different investments within a portfolio. Internal measures for organizational performance focus on process efficiency and goal achievement efficiency. These methods evaluate performance through the gap between target and current position. The common measure that was used in this study was ROI. It is often required to calculate return on investment (ROI) of the projects based on objective data and measurable results. Calculating the return on investment helps justify the resources invested in the initiatives and assess financial performance of the initiatives. In terms of cost and benefit, the ROI calculation may

be done simply by dividing the value of benefits by the cost spent on the project (Robson, 2013).

**1.5 Research Design**

A research design is the set of methods and procedures used in collecting and analyzing measures of the variables specified in the problem [research](#) (Kothari, 2011). This study utilized the descriptive research design. The census survey descriptive research design involves posing a series of questions to willing participants, summarizing their responses with percentages, frequency counts, and other statistical indexes and then drawing inferences about a particular population from the responses of the sample (Osei-Tutu, 2016). This research design is ideal for this study as the researcher is interested in gaining knowledge on the factors affecting the implementation of procurement policies and

procedures in Nairobi City County. This design was therefore deemed appropriate in determining the role of contract management on organization performance in the telecommunication sector in Kenya.

Target population refers to the larger population to which the researcher ultimately would like to generalize the results of the study (Kothari, 2011). It is thus the entire group of individuals, events or objects having common observable characteristics. The target population for this study was 87 the Airtel employees at Nairobi city county. This was our unit of observation. The population of this study consists of the staff working in the following departments: supply chain management, accounts and administration respectively. The target population for this study all the users / respondents employees at Airtel.

**Table 1.1: Target Population**

Category	Population
Supply Chain Management Officers	35
Accounts Officers	35
Administration officers	17
<b>Total</b>	<b>87</b>

**Source: Airtel Kenya HRM Records**

A **sample** is portion or part of the population of interest (Kothari, 2011). The study was a case survey with the respondents with different educational levels. The study purpose sampling techniques to be used. The purpose of sampling is to gain an understanding about some features or attributes of the whole population based on the characteristics of the sample. The Yaro Yamane’s simplified formula as provided by Njiru (2012) was used for the calculation of the sample size. The proportionate random sampling was utilized for the study

The multiple linear regression analysis was undertaken to examine the manner in which the independent variables influenced the dependent variable, adherence to the contract management at Airtel Kenya and organizational performance of telecommunication sector in the Nairobi City county governments is only cumulatively accounted for by the contract planning, contract administration, contract evaluation and dispute resolution. The following Formula for multiple linear Regression was expressed as follows:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$$

Where

Y = Organizational performance of telecommunication sector

B<sub>0</sub>= Constant (coefficient of intercept)

X<sub>1</sub>= Contract Planning

X<sub>2</sub>=Contract Administration

X<sub>3</sub>= Contract Evaluation

X<sub>4</sub>= Dispute Resolution

Σ= error term

An Analysis of Variance was used to measure statistically the significance in predicting variables in Organizational performance of telecommunication sector. The test of significance was correlated coefficient, the R square as a measure of significance. The coefficient is a standard measure of an assumed linear relationship between variables. A coefficient of value (+ve) 0.5 and (-ve) 0.5 or higher indicates a strong Relationship and by extension a significant variable in influencing the trend of dependent variable

**2.1Reliability Test**

For this study, a pilot study was undertaken at Airtel Kenya for which nine respondents who were randomly selected from the entire targeted of 87 respondents. Those who participated in the pilot study did not participate in the actual data collection. The pilot testing established the validity and reliability of the research questionnaire. The reliability statistics are presented in the table 4.2.below:

**Table 2.1: Reliability Test**

Variable	No of Items	Cronbach's Alpha
Contract Planning	9	0.839
Contract Administration	9	0.793
Contract Evaluation	9	0.812
Dispute Resolution	9	0.787
Organization Performance	9	0.754

N=9

In Table 2.2 the scale reliability measure, Cronbach's Alpha for the independent and dependent variables was determined to check on the reliability of the instruments used by determining the internal consistency of the scale used. Cronbach's Alpha for each value was established by the SPSS application and gauged against each other at a cut off value of 0.7 that is acceptable according to (Kothari, 2011). Cronbach's Alpha is a reliable coefficient that indicates how well items are positively related to one another. Therefore, for this study, it was established that the variables met the minimum acceptable cut-off of 0.7. This findings is in line with the findings of Oliveira (2015).

**2.2 Contract Planning**

Respondents were asked to give their responses in regard to contract planning in a five point Likert scale where SA=Strongly Agree, A=Agree, N= Neutral, D=Disagree, and SD= Strongly Disagree. Results obtained were presented in Table 2.2 below: Respondents were asked to give their opinion on the variable contract planning. From table 4.6, the respondents were in

agreement that Airtel Kenya ensured contract identification and periodic review on viable projects (M=3.884, SD=1.0720); Through contract assessment the organization has been able to make rational decisions on priority and non-priority projects (M=3.885, SD=.9575); Contract assessment has contribution to the quality and innovation of the planning team (M=4.000, SD=.9524); In order to avoid over expenditure in contract management it is important to put in place and maintain a contract budgeting register (M=4.161, SD=.8335); The management of Airtel Kenya implements contract budgeting to prevent project overruns (M=3.943, SD=1.0383); and Contract planning enhances organization performance at Airtel Kenya (M=3.931, SD=.8599). These findings were in line with the findings of Otieno (2014), who observed that clear description of contract management planning, can enhance effective contract management process. Thus leading to organizational performance of telecommunication sector in Kenya

**Table 2.2 Contract Planning**

Statement	Mean	Std. Dev.
My organization ensures contract identification and periodic review on viable projects.	3.884	1.0720
Through contract assessment my organization has been able to make rational decisions on priority and non-priority projects.	3.885	.9575
Contract assessment has contribution to the quality and innovation of the planning team.	4.000	.9524
In order to avoid over expenditure in contract management it is important to put in place and maintain a contract budgeting register.	4.161	.8335
The management of my organization implements contract budgeting to prevent project overruns.	3.943	1.0383
Contract planning enhances organization performance at Airtel Kenya.	3.931	.8599

N= 63

**2.3 Contract Administration**

Respondents were asked to give their responses in regard to contract administration in 5 point Likert scale where SA=Strongly Agree, A=Agree, N= Neutral, D=Disagree, and SD= Strongly Disagree. The results obtained are as presented in Table 4.7.

From table 2.3, respondents agreed that: The organization considers personal qualification on appointing contract implementation teams (M=3.930, SD=.8183); A professionally

qualified contract implementation team is likely to deliver based on the required terms of reference (TORs) (M=4.070, SD=.7593); Contract monitoring can ensure mutual satisfaction to both the contractor and the buying organizations (M=4.093, SD=.7254); Through contract monitoring the organization has been able to get quality and meet the demands of time, budget and scope of many completed contracts (M=4.023, SD=.7772); Administrators of contracts are supposed to maintain a documentation system of

every correspondence that arise before, during and after contracts (M=4.081, SD=.8243); and Contract administration enhances our organizations performance (M=4.060, SD=.9194) . These findings concur with CIPS (2011) that the goal of contract administration is to ensure the contract is satisfactorily performed and the responsibilities of both parties are properly discharged. Effective contract administration minimizes or eliminates problems and

potential claims and disputes. This is in line with the finding of Olang (2017). It is essential for contract administrators to understand the provisions of the purchase document, have the ability to communicate contract obligations to all parties involved, and maintain control over the contract performance.

**Table 2.3 Contract Administration**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
My organization considers personal qualification on appointing contract implementation teams.	3.930	.8183
A professionally qualified contract implementation team is likely to deliver based on the required terms of reference (TORs).	4.070	.7593
Contract monitoring can ensure mutual satisfaction to both the contractor and the buying organizations.	4.093	.7254
Through contract monitoring my organization has been able to get quality and meet the demands of time, budget and scope of many completed contracts.	4.023	.7772
Administrators of contracts are supposed to maintain a documentation system of every correspondence that arise before, during and after contracts.	4.081	.8243
Contract administration enhances our organizations performance	4.060	.9194

N= 63

**2.4 Contract Evaluation**

Respondents were asked to give their responses in regard to contract evaluation in 5 point Likert scale where SA=Strongly Agree, A=Agree, N= Neutral, D=Disagree, and SD= Strongly Disagree. The results obtained were as presented in Table 4.8 below:

The findings presented in table 2.4. show that respondents agree that: the organization conduct post contract reviews to assess the performance levels of the deliverables attained (M=3.941, SD=.8120); the organization reviews contract performance to ensure management of costs in future contracts (M=3.894, SD=.7475); Through contract control/ audits the organization has been able to identify areas of weaknesses and strengths of different contracts (M=4.047, SD=.6973); Contract audit and control is significant when you want to develop corrective actions on contracts (M=4.106, SD=.6474); Contract Appraisal enhances our organizational performance (M=3.976, SD=.7621); and through evaluation, the organization is able to identify problems and find

solutions in a timely manner to ensure high quality of the goods and services delivered (M=4-.059, SD=.7526).

The findings is in line with the finding of Bartsiotas (2014), who argued that it is critical to monitor a contract’s performance frequently and at regular intervals after award to ensure that the contractor is providing the goods and services on schedule and within budget, and that quality standards are being met, especially for the highest-risk and most complex contracts. Assessing post-award performance entails several activities to ensure that the delivery of services meets the terms of the contract. These include identifying performance criteria, such as key performance indicators (KPIs), at the time of contract formulation, and providing adequate monitoring resources and a capable workforce for overseeing contractor activities, by so doing performance of an organization will improve due to the fact that cost will reduce that comes with poor performance.

**Table 2.4. Contract Evaluation**

<b>Statement</b>	<b>Mean</b>	<b>Std. Dev.</b>
Our organization conduct post contract reviews to assess the performance levels of the deliverables attained.	3.941	.8120
Our organization reviews contract performance to ensure management of costs in future contracts	3.894	.7475
Through contract control/ audits our organization has been able to identify areas of weaknesses and strengths of different contracts.	4.047	.6973

Contract audit and control is significant when you want to develop corrective actions on contracts.	4.106	.6474
Contract Appraisal enhances our organizational performance	3.976	.7621
Through evaluation, our organization is able to identify problems and find solutions in a timely manner to ensure high quality of the goods and services delivered	4-.059	.7526

N=78

### 2.5 Dispute Resolution

Respondents were asked to give their responses in regard to dispute resolution in 5 point likert scale where SA=Strongly Agree, A=Agree, N= Neutral, D=Disagree, and SD= Strongly Disagree. Their responses are presented in table 4.9 below:

From table 2.5, respondents, respondents agreed that the organization implements contract enforcement policy to ensure every party involved in the contract administration process performs their responsibility (M=4.035, SD=.6725); Contract enforcement policy hedges against breach of contracts. (M=4.093, SD=.7092); Collective bargaining in cases of disputes ensures both parties are satisfied and hence productivity (M=4.198, SD=.7123); In cases of contract disputes, our organization employs alternative dispute resolution processes so as to mutual agreement (M=4.140, SD=.7179); Alternative dispute resolution

process contributes to control of contract management and cost control (M=4.081, SD=.6685); and to enhance dispute resolution results, our organization has created a conducive environment that ensures each party is free to express its concerns (M=4.093, .8576).

These findings agree with are in line with the finding of Rotich (2014) who observed that the characteristics of international projects in China, cultural and legal matters are also found to be the sources of problem and indicated that Mediation is the most popular method, after negotiation, for resolving disputes in international construction projects in China. The problem areas giving rise to disputes are mainly related to contractual matters. If disputes are resolved outside the court it will reduce on the cost of expensive court procedures hence impacting positively on the profits.

**Table 2.5. Dispute Resolution**

Statement	Mean	Std. Dev.
My organization implements contract enforcement policy to ensure every party involved in the contract administration process performs their responsibility.	4.035	.6725
Contract enforcement policy hedges against breach of contracts.	4.093	.7092
Collective bargaining in cases of disputes ensures both parties are satisfied and hence productivity.	4.198	.7123
In cases of contract disputes, our organization employs alternative dispute resolution processes so as to mutual agreement	4.140	.7179
Alternative dispute resolution process contributes to control of contract management and cost control.	4.081	.6685
To enhance dispute resolution results, our organization has created a conducive environment that ensures each party is free to express its concerns.	4.093	.8576

N=63

### 3.1 Model of Goodness Fit

Regression analysis was used to establish the strengths of relationship between the Organizational performance of telecommunication sector (dependent variable) and the predicting variables; contract planning, contract administration, contract evaluation and information and dispute resolution (independent variables). The results showed a correlation value (R) of 0.754 which depicts that there is a good linear dependence between the independent and dependent variables. This finding is in line with the findings of osoro et al. (2015). This finding is in line with the

findings of Mugo (2014), who observed that this also depicted the significance of the regression analysis done at 95% confidence level. This implies that the regression model is significant and can thus be used to evaluate the association between the dependent and independent variables. This finding is in line with the findings of Cherotich (2014), who observed that analysis of variance statistics examines the differences between group means and their associated procedures.

**Table 3.1 Model Goodness of Fit**

R	R <sup>2</sup>	Adjusted R	Std. Error of the Estimate
0.754	0.727	0.716	0.059

a. Predictors: (Constants), contract planning, contract administration, contract evaluation and dispute resolution  
b. Dependent Variable: organizational performance of telecommunications sector

With an R-squared of 0.727, the model shows that contract planning, contract administration, contract evaluation and dispute resolution can contribute up to 72.7% of the variations on organizational performance of telecommunications sector while 27.3% is explained by other indicators which are not inclusive in this study or model. A measure of goodness of fit synopsis the discrepancy between observed values and the values anticipated under the model in question. This finding is in line with the findings Cherotich (2014).

## II. CONCLUSION

Therefore, from the foregoing, this study concludes that contract planning have broadly impacted on organizational performance of telecommunication sectors in Kenya. The findings conclude that modern institutions should drive to embrace the best Contract Planning, Contract administration, contract and dispute resolution on organizational performance in telecommunication sector in Kenya. When public-private partnerships is embraced through contract planning, contract administration, contract evaluation and dispute resolutions then the implementation of organizational performance of telecommunication sectors in Airtel Kenya.

## III. RECOMMENDATIONS

The study recommends and confirms that the implementation of organizational performance of telecommunication sector was significant in enhancing contract planning in Airtel in Nairobi City County in Kenya. That in future different counties needs to strengthen organizational performance of telecommunication sector in the procurement process to all counties in Kenya, so as contract planning, contract administration, contract evaluation and dispute resolution to be line with the implementation of organizational performance of telecommunication sector. This study therefore sought to explore what past scholars had said on the influence of organizational performance of telecommunication sector in Kenya and tested viability of best procurement policy and procedures in the public entities in Kenya. That from the foregoing, this study recommends that the best organizational performance of telecommunication sector in Kenya should strive to be proactive on how to perform better to retain integrity and improve transparency and accountability in organizational performance of telecommunication sector. The study has now filled the existing gap after the creation of this new knowledge

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