

**CONTRACT MANAGEMENT PRACTICE AND OPERATIONAL PERFORMANCE  
OF STATE CORPORATIONS IN UGANDA. A CASE STUDY OF UGANDA  
NATIONAL ROADS AUTHORITY (UNRA)**

**BY  
MUKAANI VERONICA  
REG NO: 1153-05084-01923**

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## DECLARATION

This report is a result of my own original work and that no part of it has been presented for another degree in this university or elsewhere.

Signed.....

Date.....1<sup>st</sup>/sept/2018.....

**MUKAANI VERONICA**

**1153-05084-01923**

## APPROVAL

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

Signed.....

Date.....11 / SEPT / 2018

**MS. KABASINGUZI CHRISTINE**

Supervisor,

College of Economics and Management Sciences

## **DEDICATION**

This research proposal is dedicated to my beloved mum and dad who showed me abundant love and patience during my 3 years stay at University. Hope this will inspire the entire family to become great scholars. To my dear lecturers in the College of Economics and Management Sciences, you've continued to inspire me to always work hard.

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## **LIST OF ABBREVIATIONS**

UNRA : Uganda National Roads Authority

KIU : Kampala International University

CM : Contract Management

PPDA : Public procurement and Disposal of Public Assets Act

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## **ABSTRACT**

The aim of the study was to establish the effect of effective contract management practice on operational performance of state corporations in Uganda using the Uganda National Roads Authority as a case study. The specific objectives of the study were to determine the extent to which the Uganda National Roads Authority (UNRA) practices effective contract management; to identify the challenges that hinder effective contract management practice in state corporations in Uganda; and to identify the level of operational performance in UNRA. The study used a descriptive, cross-sectional survey research design, with a target population of all the 45 respondents. It also employed a simple random sampling method with a sample size of 40 respondents. Data was collected using questionnaires, analyzed using SPSS and presented using charts, tables, and graphs. The study findings indicated that UNRA practices 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 Uganda however, the study recommends constant training, improve contract management practices, use of adequate information systems and enhanced flexibility and risk management.

## **CHAPTER ONE**

### **INTRODUCTION AND BACKGROUND INFORMATION**

#### **1.1 Introduction**

This chapter covers background information, statement of the research problem, research objectives and research questions. It further presents the significance of the study and the organisation of the study.

#### **1.2 Background of the study**

In the world of business, it is common for an organisation to involve contractors or suppliers in one way or another to support in providing service or product to meet its intended requirements (Kumar and Markeset, 2007). State corporations are one of the business areas where high level of risk is involved during contractors' fulfilment of their contractual obligations (Nguyen, 2013). It is a main duty for operating company to make sure contractors perform their duties safely and timely through appropriate contract management (CM) procedures (Hotteebex, 2013).

Effective contract management has emerged as a crucial function to improve profitability, support compliance and manage risk in state corporations (Prosidian consulting, 2011). Operating companies are responsible for discovering and producing hydrocarbon reserves from areas as geographically and culturally diverse. A wide range of contractor and sub- contractor companies support the operating companies by developing infrastructure, offering engineering solutions and supplying and operating highly specialized equipment (Hotteebex, 2013). These organizations provide most of the workforce for these projects and therefore shoulder much of the risk associated with finding and developing hydrocarbon reserves (Mearns and Yule, 2009). Bautista and Ward (2009) recommend that, the entire procurement team should also be engaged in managing the post award contracting activities. Contract Administration processes and activities such as monitoring and measuring contractor performance, managing contract change process, and managing contractor payment process should be integrated with other departmental core processes such as customer service, financial management, risk management, schedule management, and performance management (Hotterbeekx,2013). Organisations having established and mature contract management processes are able to

generate a great deal in additional savings and have a distinct competitive advantage over their competitors (Rendon, 2007 as cited by Nguyen, 2013). On the other hand, inefficient management of contracts will lead to poor operational control, low customer satisfaction, high risks and unwanted costs (Saxena, 2008 as cited by Nguyen, 2013). On his study Hotterbeekx (2013) developed a maturity model for contract management inclusive of the following category contract management functions: relationship management, performance management and risk management to assess CM maturity level of the organisation.

According to Prosidian Consulting (2011), findings of recent international surveys conducted by supply and demand chain executives on the complexities and risks of project contracts shows that there is a significant loss of money due to ineffective management of project contracts. For instance, research firm Aberdeen Group, has advocated that enterprises lose US\$153 billion each year due to ineffective project contract management. A Green Point Global (2013) reveal that 60-80% of business transactions are governed by agreements or contracts and more than 10% of all executed contracts are lost. Although there are a lot of other variables which can influence the contractor's performance, this research will focus on the CM activities which have direct influence on performance outcome to the project deliverables, particularly on risk management, contractors' selection, CM team competence and roles, and purchasing-supplier relationship. It has not directly thought to cover the whole phases of procurement process, although some of the activities like CM plan, contract specifications and requirements, key performance indicators and performance outcomes will also be referred so that to provide better understanding from the reader

### **1.2.1 Uganda's perspective**

In this dynamic and competitive business environment, Uganda is among the fast growing 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 Uganda. 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 of Assets Act, 2003. 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, 2003).

Currently, Uganda 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 Uganda 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 impact of effective contract management practice on operational performance of the state corporations in Uganda, with the Uganda National Roads authority as a case study.

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 Uganda

### **1.3 Statement of the 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. According to the 2016 report presented to president Museveni by the Commission of Inquiry into the Uganda National Roads Authority, Uganda loses a lot of taxpayers' money to improper procurement practices, specifically because of poor contract management practices. As per the report, at least Shs4 trillion of the Shs9 trillion that was allocated to UNRA for construction of about 5,147km of roads were "misappropriated" in dubious deals notably, through poor contract management; flaws in the procurement system; procurement and payment of contracts in foreign currencies, causing pressure on the local currency; premature failure of roads; high construction costs, and delayed implementation of recommendations by the Auditor General. The study helped

investigate the effect of effective contract management practice on operational performance of the state corporations in Uganda.

#### **1.4 Research objectives**

- To determine the extent to which the Uganda National Roads Authority (UNRA) practices effective contract management.
- To identify the challenges that hinder effective contract management practice in state corporations in Uganda.
- To identify the level of operational performance in UNRA

#### **1.5 Research questions**

- To what extent does the Uganda National Roads Authority (UNRA) practices effective contract management?
- What are the challenges that hinder effective contract management practice in state corporations in Uganda?
- What is the level of operational performance in UNRA?

#### **1.7 Research scope**

This section will discuss the geographical scope, content scope and the time scope.

##### **1.7.1 Content scope**

This study will investigate the impact of contract management practice on the operational performance of state corporations in Uganda using the Uganda National Roads Authority as a case in point. This study will consider conceptualising contract management into other variables namely; contract monitoring and acceptance management, contract administration and contract management challenges. The dependent variable, operational performance will also be conceptualised into its performance indicators, that is to say performance cycle time, efficiency, flexibility, and supplier relationship management

##### **1.7.2 Geographical scope**

The study will be done in Kampala District most especially in Nakawa Division where the headquarters of UNRA are located. The researcher will also engage different concerned citizens in Makindye and Central divisions of Kampala.



### 1.7.3 Time scope

Moreover, this study will be conducted for a period of 3 months. The researcher will spend two month collecting data while the remaining 30 days will be used for data analysis and the completion of the research report

### 1.8 Significance of the study

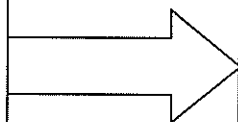
- This study upon completion will be of great significance to future researchers who may seek to pursue research in similar projects. This is because it could provide them with the relevant literature for review.
- This project will be of great significance to policy makers in Uganda’s government as it seeks to also suggest possible solutions to the challenges that hinder effective contract management in Uganda National Roads Authority. I
- It will serve to enhance the researcher’s knowledge in research, something that will ultimately lead to the award of bachelors in supplies and procurement of Kampala International University
- This study will also help UNRA on how to effectively award and manage contracts in the corporation.

### 1.9 Conceptual framework

In this study, the framework comprises of the dependent and independent variables, which are operational performance and contract management practice, respectively. Independent variable is divided into five independent variables including contractor monitoring and acceptance management and contract administration. 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 and efficiency.

#### CONTRACT MANAGEMENT PRACTICES

1. Contractor monitoring and acceptance management
2. Contract administration
3. Contract closure



#### OPERATIONAL PERORMANCE

1. Procurement cycle time
2. Efficiency
3. Supplier relationship
4. Flexibility

## CHAPTER TWO

### LITERATURE REVIEW

#### **2.0. 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.

#### **2.1 Contract Management Practices**

Cropper (2008) describes contract management as the process of monitoring whether the contract parties are complying and performing as per the agreement. It also involves handling of issues that include errors, payment, specifications, policy specifications, as well as any changes that may result in the course of the contract execution. Contract management entails a process of efficient and systematic management of contract creation, implementation, and analysis in order to maximize financial and operational performance, as well as minimize risks. Operational performance measurement is critical in ensuring that overall strategic objectives of a firm are effectively and efficiently achieved. Contract management improves an organization's operational performance as indicated by various measures, such as, quality, flexibility, speed, efficiency, and supplier relationship (Cho & Pucick, 2005).

As Lowe (2013) points out, a contract is the foundation of the establishment and maintenance of a favourable 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 honoured their contractual responsibilities as well as activities involved in evaluating degree of successful contract execution and achievement of expected results (Chong, Balamuralithara & Chong, 2011).

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.

## **2.2 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.

### **2.2.1. Determinants of Effective Contract Management practice**

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.

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).

### **2.3 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 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 4 performance indicators include but not limited to: efficiency, quality, flexibility, compliance, supplier relationship, supplier defects rates and procurement cycle time (Cho & Pucick, 2005).

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction:

This chapter discusses the research designs, population, and sample size, sampling procedure and data collection instruments that were employed in the study.

#### 3.1 Research design.

Survey research designs were employed during this study. Research questionnaires were designed and distributed amongst the respondents in the various regions. The research design was descriptive in nature such that there is provision of detailed information on how contract management practice impacts on the operational performance of state corporations in Uganda. The research findings were displayed in table form and expressed as percentages.

#### 3.2 Population of the study

The population of this study was made up of the officials from UNRA and some selected individuals which in the researcher's opinion have the information relevant to the study. The elements in the population are units of analysis and their nature were determined by the survey objectives. The study sampled a population of 45 people from which the sample size was determined

#### 3.3 Sample Size:

A definite sample was taken to ensure accuracy and operation within the range of agreeable limits of the study. Sampling involved the selection of a number of study respondents from the study population. The sample size was a small representative of the population that were obtained using Slovic's formula as follows:

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

Where; n = the sample size

N = total population of respondents, that is 45.

$\alpha$  = the level of significance, that is 0.05

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

$$n = \frac{45}{1 + 45 (0.05)^2}$$

$$n = \frac{45}{1 + 45 * 0.0025}$$

$$n = 40 \text{ respondents}$$

### 3.4 Sampling procedure

Simple random sampling and purposive sampling were used during the study. These ensured that the respondents contacted during the study are the ones with relevant information to the study. This was done this way because the researcher assumed that the population would be inclusive of respondents who may not be relevant to this study.

### 3.5 Sources of data of data

Both primary and secondary sources were used during the study. The primary data was collected by the use of well-structured questionnaires which were administered to the different respondents. For secondary data, the researcher used professional journals, newspapers, presented by experts on accounting and financial matters, textbooks, magazines, works done by researchers

### 3.6 Data Collection instruments

The researcher obtained data from the field using the following research instruments

#### 3.6.1 Questionnaire

Questionnaires were used to measure the demographic characteristics of the respondents. It consisted of inter-related questions designed specifically to establish the impact of contact management practices on the operational performance of state corporations in Uganda. Self-administered questions were used containing both open ended and closed ended questions.

#### 3.6.2 Interview method

Interview method will also supplement questionnaires. The researcher will also engage some respondents in face to face discussions. This method will serve to extract additional information where there is a conflict or bias. It may also be used in circumstances where the respondents claim not to be having enough time to answer the questionnaires.

### **3.7 Validity and reliability of the research instruments**

Validity and reliability of the research instrument was established in consultation with the university supervisor and the senior lectures and professors in the college of economics and management sciences. These helped me to design and construct the questionnaire to ensure that it answers the research objectives as set in chapter one

### **3.8 Data processing and analysis procedures**

The data that was collected using questionnaires and interview methods was tabled, interpreted and analyzed. The data was then be converted into percentages, discussed, summarized and the conclusions finally made.

### **3.9 Limitations of the study**

There was a delay by some of the respondents to return the questionnaires. Some respondents did not want to reveal certain information. However the researcher used her interview techniques to convince the respondents. The researcher also emphasized to the respondents that the study was purely for academic purposes and that all their views would be treated with utmost confidentiality

### **4.0 Ethical considerations**

The researcher obtained a letter from the head of the economics department that was used to introduce the researcher to the respondents during data collection. This letter identified the researcher and explained the aim of the study to the respondents. This letter was made available to everyone who was suspicious of the researcher.

The research assistants were informed about the purposes of the study and the information gathered was specifically aimed at establishing if there is a correlation between contract management practices and operational performance of state corporations in Uganda

## 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 Uganda. The study was done on sample size of 40 respondents. The study used a Likert scale to collect and analyze data and. Frequencies were used to analyze 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 Uganda. Finally, the data was presented using tables, charts, and graphs.

#### 4.2 General Information

The study sought information on the age bracket, the sex of the respondents, as well as the educational level of the respondents. 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 Uganda

#### 4.3 The age of the respondents

**Table 4.1: Age of the respondents**

Age bracket	Frequency	Percentage (%)
20-29	5	14
30-39	20	57.1
40-49	7	20
50-59	3	8.6
<b>TOTAL</b>	<b>40</b>	<b>100</b>

**Source: Primary data 2018**

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.

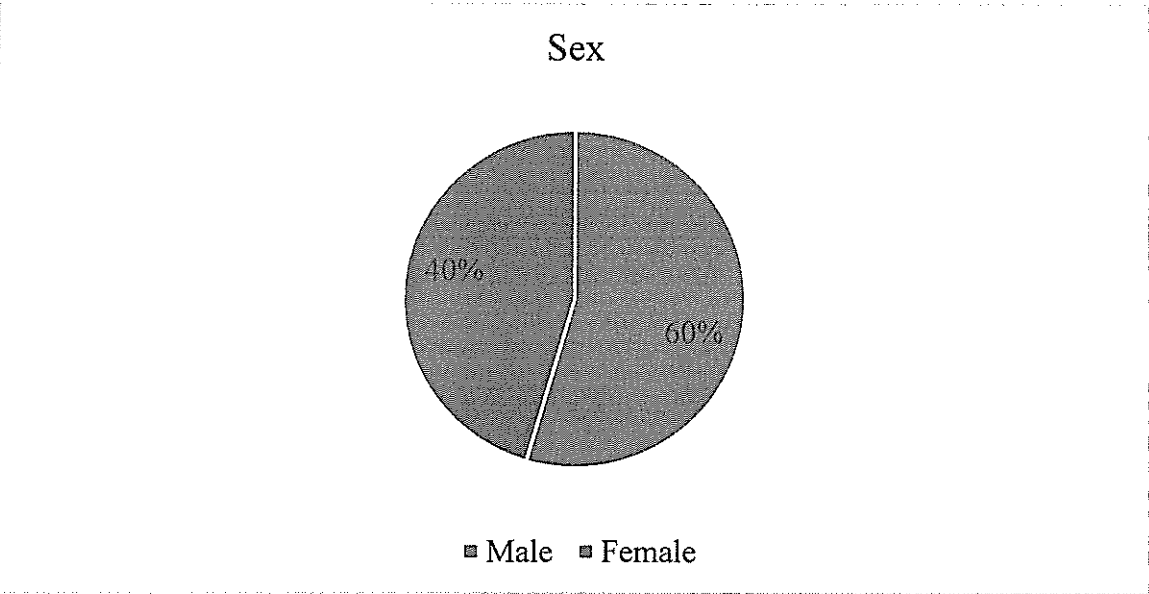
4.4 The sex of the respondents

Table 4.2 shows the sex of the respondents

Sex	Frequency	Percentage (%)
Male	24	60
Female	16	40
Total	40	100

Source: Primary data 2018

Figure 4.1: Sex of the respondents



Source: Primary data 2018

Table 4.2 and figure 4.1 shows that the majority of respondents who participated in this study were males representing a percentage of 60 while their female counterparts were 40%. This shows that gender was highly considered during this study and there were no issues of gender discrimination.

4.5 Educational level of the respondent

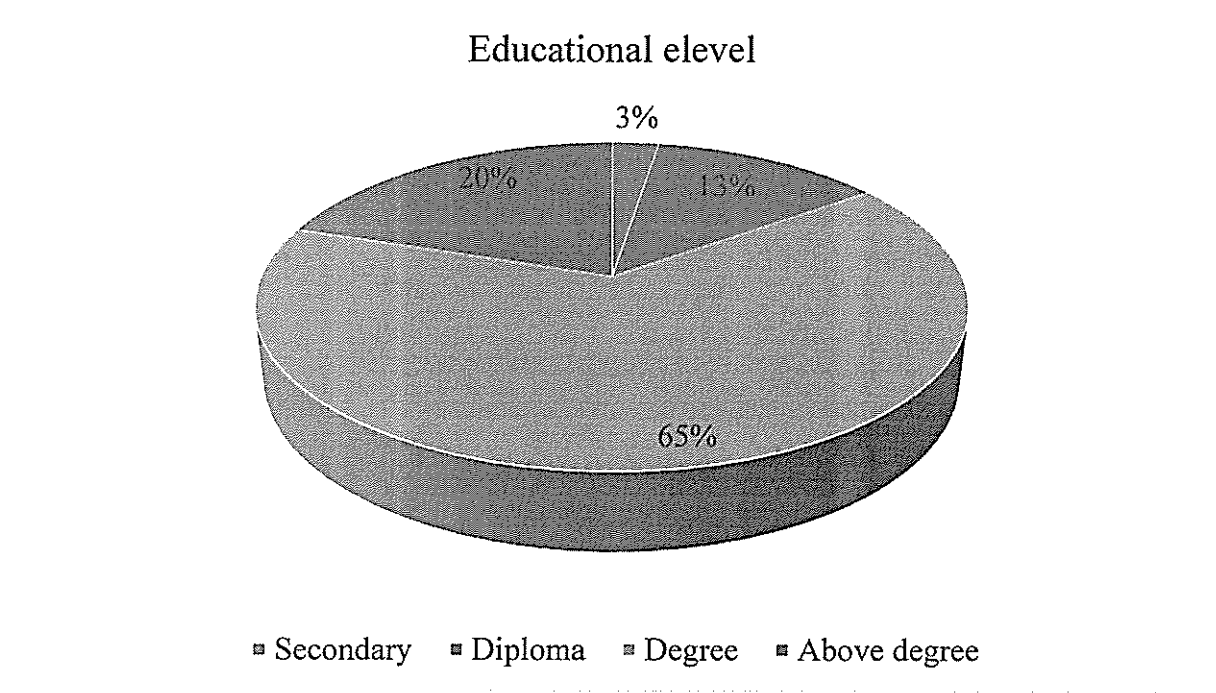
The education level of the respondents was deemed so necessary to establish since it helped the researcher in determining which respondents had the relevant information to the study.

Table 4.3. The education level of the respondents

Education level	Frequency	Percentage (%)
Secondary	1	2.5
Diploma	5	12.5
Degree	26	65
Above degree	8	20
TOTAL	40	100

Source: Primary data 2018

Figure 4.2. The educational level of the respondents



Source: Primary data 2018

From Table 4.3 and Figure 4.2, it can be seen that majority of the respondents who participated in this study had completed degrees in various disciplines, representing a percentage of 65%. These were followed by another 20% that had finished post graduate degrees. This study also

interviewed respondents that had completed diplomas and these represented a percentage of 13 while only one respondent out of the 40 respondents had completed secondary education representing a percentage of 3%. These findings are an indication that all the respondents that were consulted in this study had attained education to some level and therefore chances were high that the information they gave was relevant to the study.

#### 4.6 Extent to which UNRA practices effective contract management practice

The study sought to find the extent to which UNRA engage in contract management by analyzing specific contract management practices. A five-point Likert scale was employed where; 1=Strongly Disagree; 2=Disagree; 3=Agree; 4=Strongly Agree.

a) Table 4.4. Contractor Monitoring and Acceptance Management

Indicator	1	2	3	4
The contractor undertakes his duties and fulfills his obligations in compliance with the contract	0	0	60%	40%
The organization can identify any issues or problems in advance that could arise and offer timely solutions	0	0	25%	62.5%
It monitors, controls and evaluates the contractor's performance	0	7.5%	52.5%	40%
It identifies and handles risks	12.5%	2.5%	40%	45%
It evaluates the quantity and quality of services, works, or products delivered	0	0	22.5%	77.5%

Source: Primary data 2018

As per the study findings, 60% of the respondents agreed that UNRA ensured that the contractor undertook his duties and fulfilled his obligations in compliance with the contract while 40 % strongly agreed to the same. This implies that the UNRA undertakes and fulfills its duties in compliance with the contract. The research findings also show that 62.5 % of the respondents strongly agreed that the organization could identify any issues or problems in advance that could arise and offer timely solutions. Those who said that the organizations monitored, controlled and evaluated the contractor's performance were 92.5% while those who



disagreed on this particular indicator were only 7.5%. This implies that UNRA identified any issues or problems in advance that could arise and offer timely solutions and the organizations also monitored, controlled and evaluated the contractor's performance.

On the other hand, most of the respondents agreed to a moderate extent that their organizations identified and handled risks and their corporations evaluated the quantity and quality of services, works, or products delivered and these were 85%, While another 77.5% agreed that the organization evaluates the quantity and quality of services, works, or products delivered. The findings 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 4.5. Contract Administration**

Indicator	1	2	3	4
The organization maintains an updated form of the contract	0%	0%	57.5%	42.5%
The organization controls and manages contract variations	2.5%	1%	48.25%	8.3%
It pays the contractor on time	0	0	27.5%	72.5%
There is proper management of assets	7.5%	7.5%	72.5%	12.5%
It regularly drafts reports	0%	0%	60%	40%

**Source: Primary data 2018**

The study findings show that 57.5% of the respondents agreed that their organization maintained an updated form of contract while another 42.5% strongly agreed to the same. In addition, 96.5% of the respondents agreed to a great extent that their organisation controlled and managed contract variations while 100% of the respondents said that their employer on time.

On whether there is proper management of assets, the respondents agreed to a moderate extent that their employer does so. This implies that the organization maintained an updated form of the contract, paid its contractors on time, controlled and managed contract variations and that it regularly drafted reports.

**Table 4.6. Contract closure**

Indicator	1	2	3	4
It controls and certifies activities involved in evaluating degree of successful contract execution	0	15%	42.7%	42.3%
It controls and certifies that both contracting parties have honored their contractual responsibilities	0	37.5%	50%	12.5%
It ensures the achievement of expected results	10%	10%	60%	20%
It terminates contracts effectively		0	72.5%	27.5%

**Source: Primary data 2018**

This table indicates that 72.5% of the respondents agreed that their organisation terminated contracts effectively, 62.5% said it controlled and certified activities involved in evaluating the degree of successful contract execution while 80% said that it ensured the achievement of expected results. Others disagreed that their state corporations ensured expectation of the expected results and these were 20%. These results show that at the time this study was done contract closure in UNRA involved controlling and certifying that all parties had 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.

#### 4.7 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

**Table 4.8: Challenges involved in Contract Management Practice**

Indicator	1	2	3	4
Unrealistic timeline and budgets prevents effective contract management practice	0	0	20%	80%
Corruption hampers successful contract management implementation	0	0	30%	70%
Inflexibility is a setback to proper contract management practice	0	0	27.5%	72.5%
Conflicts regarding payments prevents successful contract management practice	2%	0	2.5%	95.5%
Unclear project scope hinders effective contract management practice	0	0	2.5%	97.5%
Lack of cooperation limits effective contract management practice	0	1%	4%	95%

**Source: Primary data 2018**

As per the table above, an overwhelming majority of the respondents agreed to the following as challenges to effective contract management practice in their organizations: corruption (100%) ,conflicts regarding payments (95.5%) ; unrealistic timeline and budgets inflexibility (80%) ; unclear project scope; insufficient use of ICT and lack of cooperation (100%).Thus, the study confirms that the most common challenges involved in contract management in UNRA 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

#### 4.8 The level of operational performance in UNRA

Please indicate by ticking the extent to which you agree with the following statements. Use the following scale: 1=Strongly Disagree; 2=Disagree; 3 =Agree; 4=Strongly Agree

**Table 4.7 shows the level of Operational performance in UNRA**

Indicator	1	2	3	4
My organization takes initiative and preventive actions against its contractors.	0	57.5%	25%	17.5%
My organization completes work in the shortest time possible	21%	60%	10%	9%
My organization provides provision for implementing of changes (Flexible or adaptable)	0	7.5%	52.5%	40%
My organization ensures clear description of processes and contract management plans	0	2.5%	5%	92.5%
Work is finished in the allocated time by the contractors	0	7.5%	65%	27.5%

**Source: Primary data 2018**

The table shows that 92.5% of the respondents strongly agreed that their organisation had clear description of processes and contract management plans and said that their organization provides provision for implementing of changes in the organization. Those who said that work was finished in the allocated time by the contractors were 92.5%. 60% disagreed that work by contractors is finished in the shortest time possible, 21% strongly agreed while only 19% agreed to the fact that work by UNRA contractors was completed in the shortest time. 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).

## **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 Uganda.

#### **5.2 Summary & discussion of Findings**

The study established that UNRA 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 the road authority has embraced the idea of contract management in their procurement process so as to enhance their performance.

According to the study findings, 60% of the respondents agreed that the roads authority ensured that the contractor undertook his duties and fulfilled his obligations in compliance with the contract while 40 % strongly agreed to the same. The research findings also show that 62.5 % of the respondents strongly agreed that the organization could identify any issues or problems in advance that could arise and offer timely solutions. Those who said that the organizations monitored, controlled and evaluated the contractor's performance were 92.5% while those who disagreed on this particular indicator were only 7.5%.

The study further reveals that 57.5% of the respondents agreed that their organization maintained an updated form of contract while another 42.5% strongly agreed to the same. In addition, 96.5% of the respondents agreed to a great extent that their organisation controlled and managed contract variations while 100% of the respondents said that their employer on time.

In addition, 72.5% of the respondents agreed that their organisation terminated contracts effectively, 62.5% said it controlled and certified activities involved in evaluating the degree of successful contract execution while 80% said that it ensured the achievement of expected results. Regarding the challenges involved in contract management practice, an overwhelming majority of the respondents agreed to the following as challenges to effective contract management practice in their organizations: corruption (100%) ,conflicts regarding payments (95.5%) ; unrealistic timeline and budgets inflexibility (80%) ; unclear project scope; insufficient use of ICT and lack of cooperation (100%).

Determining the level of operational performance was the third objective of this research and hence the study findings revealed that 92.5% of the respondents strongly agreed that their organisation had clear description of processes and contract management plans and said that their organization provides provision for implementing of changes in the organization. Those who said that work was finished in the allocated time by the contractors were 92.5%. 60% disagreed that work by contractors is finished in the shortest time possible, 21% strongly agreed while only 19% agreed to the fact that work by UNRA contractors was completed in the shortest time. Further, the study established that the most of the respondents rated UNRA's operational performance as high, after implementing effective contract management, in terms of procurement cycle, flexibility, efficiency, and supplier relationship.

### **5.3 Conclusion**

Based on the findings, UNRA to greater extent practices 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 respondents who participated in his study 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;; 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 UNRA 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 clear is that there is a positive relationship between effective contract management practice and operational performance of state corporations in Uganda.

#### **5.4 Recommendations**

- The study recommends that the state corporations' management in Uganda 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 Uganda to invest in constant training of their employees on effective contract management practices to enhance their performance.
- The study recommends that the state corporations in Uganda 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 Uganda 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 operational performance in the private sector in Uganda.

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## APPENDIX 1

### RESEARCH QUESTIONNAIRE

Dear respondent,

My name is **Mukaani Veronica**, pursuing a Bachelor's degree in Supplies and Procurement. You have been selected as one of the respondents in this research as I am assessing the effect of contract management practices on operational performance of state corporations in Uganda, using Uganda National Roads Authority as my case study. All responses given are for educational purposes thus are considered confidential.

#### BIO DATA

1. What is your gender?

a) Male ☐

b) Female ☐

2. Age group

2--29 ☐

30-39 ☐

40-49 ☐

50-59 ☐

3. What is your education level?

a) Secondary school ☐

b) Diploma ☐

c) Degree ☐

d) Above degree ☐

4. For how long have you worked in UNRA?

a) Less than a year ☐

b) 1-3 years ☐

c) 4-6 years ☐

d) 7-9 years ☐

e) Above 9 years ☐

**Section B: Extent to Which UNRA Practices Effective Contract Management**

5. 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

**b) Contractor Monitoring and Acceptance Management**

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

### c) Contract Administration

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

### d) Contract Closure

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

**Section D: Challenges involved in Contract Management Practice.**

6. 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
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					
Unclear project scope hinders effective contract management practice					
Lack of cooperation limits effective contract management practice					

**Section C: The level of operational performance in UNRA**

7. 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
My organization takes initiative and preventive actions against its contractors.				
My organization completes work in the shortest time possible				
My organization provides provision for implementing of changes (Flexible or adaptable)				
My organization ensures clear description of processes and contract management plans				
Work is finished in the allocated time by the contractors				