

**THE EFFECT OF SUPPLIERS CONTRACT MANAGEMENT ON  
ORGANIZATIONAL PERFORMANCE**

**CASE STUDY: CROWN BEVERAGES LTD**

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## **DEDICATION**

I dedicate this work to my parents Sam Karuhanga and Ms. Kyomuhangi Bonnie

I LOVE YOU.

May God bless you.

## **ACKNOWLEDGEMENT**

I acknowledge all kind of people who gave me assistance during the process of my studies and towards the completion of this research report.

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## LIST OF ABBREVIATIONS

<b>CBL:</b>	Crown Beverages Ltd
<b>COS:</b>	Contract Office Staff
<b>FOS:</b>	Finance Office staff
<b>IPCBI:</b>	International Pepsi Cola Bottling Investments
<b>LVBC:</b>	Victoria Bottling Company
<b>SPSS:</b>	Statistical Package for the Social Sciences
<b>Ltd:</b>	Limited
<b>OE:</b>	Operating Effectiveness
<b>M &amp; E:</b>	Monitoring and Evaluation
<b>IV</b>	Independent Variable
<b>DV</b>	Dependent Variable
<b>CMS</b>	Contract Management System
<b>CM</b>	Contract Management

## **ABSTRACT**

The study was aimed at assessing the effect of supplier contract management on organizational performance a case of Crown Beverages Limited. The study was aimed at establishing the effect of Contract objectives and organizational performance, accessing the effect of Contract relationship on organizational performance and establishing the relationship between Monitoring and Evaluation and organizational performance

The study employed Case study research design using a quantitative and qualitative research paradigm in which a case study research design was employed to collect data from 127 respondents using structured questionnaires, and interviews.

The study found out that contract objectives have enforced value preserving governance structures, triggered the entire services' network, simplified compliance with the newly centralized procurement function, captured procurement expertise and it has encouraged suppliers to adopt environmentally friendly processes. Furthermore, it was exposed contract relationship has ensured sustainability, value preserving governance structures, transfer of procurement expertise, ease compliance with the function in the organization and it has helped in boasting the company's revenue. From the study, it was also concluded that Monitoring and Evaluation has provided visibility into contracts, reduced risks, enhanced application of the most appropriate Contractual Relationship, compliance to contract requirements and it has ensured efficient coordination of each of the parties' time and skills thus promoting effective operations.

It was recommended that monitoring and Evaluation should be done as a regular process of evaluating agency performance and should be based on measurable service deliverables and verifying agency compliance with the terms and conditions in the contract with the organization. It was also recommended that the organization adopt the use of a monitoring instrument which specifies the activities that will be evaluated, the tests and procedures to be applied, the methodology for determining the specific transactions/units of activity that will be examined and tested

## **CHAPTER ONE: GENERAL INTRODUCTION**

### **1.0 Introduction**

Supplier Contract Management involves the execution and monitoring of a contract for the purpose of maximizing financial and operational performance and minimizing risks and all this is done to enhance the performance of the organizations (Alchian, 2009). This chapter therefore presents the background to the study, statement of the problem, purpose of the study, research objectives, research questions, scope of the study, significance of the study, justification, definition of key terms and the conceptual frame work.

#### **1.1.0 Background of the Study**

In the world of business, it is common for an organization to involve suppliers in one way or another to support and provide service or product to meet its intended requirements (Kumar and Markeset, 2007). Most organizations face a high level of risk of supplier contract fulfillment during their contractual obligations (Nguyen, 2013). It is a main duty for a company to make sure suppliers perform their duties safely and timely through appropriate contract management (CM) procedures (Hotteebex, 2013). Effective supplier contract management has emerged as a crucial function to improve profitability, support compliance and manage risk in organizations

Supplier Contract management is successful if the arrangements for service delivery continue to be satisfactory to both parties, and the expected business benefits and value for money are being realized, the expected business benefits and value for money are being achieved, the supplier is co-operative and responsive. Additionally, it is also successful in case the organization understands its obligations under the contract, there are no disputes, there are no surprises and efficiencies are being realized.

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 supplier performance, managing contract change process, and managing supplier 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).

According to Prosidian Consulting (2011), findings of recent international surveys conducted by supply and demand chain executives on the complexities and risks of supplier contracts shows that there is a significant loss of money due to ineffective management of supplier contracts. For instance, research firm Aberdeen Group, has advocated that enterprises lose US\$153 billion each year due to ineffective supplier 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. Organizations having established supplier contract management processes, they are able to generate a great deal in additional savings and have a distinct competitive advantage over their competitors (Nguyen, 2013).

On the other hand, inefficient management of supplier contracts has led to poor operational control, low customer satisfaction, high risks and unwanted costs. The relationship between supplier contract management and improved organizational performance is evidenced by its ability to reduce in manual processes and contract administration workload through process optimization and automation and consolidation of contract databases / repositories (Andy, 2004). This enables the organization to achieve improved contract consistency and user-friendliness by leveraging contract template functionality.

Although there are a lot of other variables which can influence the performance, this research focused on the Supplier Contract Management activities which have direct influence on performance outcome, particularly on Contract objectives, Contract relationship and Monitoring and Evaluation. Management of supplier contracts, particularly partnerships, requires flexibility on both sides and willingness to adapt the terms of the contract to reflect changing circumstances. It is important to recognize that problems are bound to arise which could not be foreseen when the contract was awarded (Andy, 2004). Therefore it is against this background that the researcher investigated the effect of supplier contract management on organizational performance.

### **1.1.1 Background to the Case Study**

Soft drinks industry in Uganda is very competitive. The success of each company depends on managing its contracts efficiently and effectively. Crown Beverages limited (CBL) was founded as Lake Victoria Bottling Company on 29th March 1950. Then, the Uganda government owned the majority shares while a few elite indigenous Ugandans owned the minority shares. In 1965, LVBC became Pepsi Cola franchise in Uganda and started bottling global soft drinks of which products were Pepsi, Mirinda, and Gingerly among others. In December 1997, Crown Beverages Limited went into joint ownership with International Pepsi Cola Bottling Investments, (IPCBI) of South Africa, who bought 51% shares in the Crown Beverages Limited and injected in more capital and also had a controlling team.

With the new shareholders, the company took on Crown Beverages Limited as its new name. To run the company more efficiently, the IPCBI shareholding was bought back by indigenous Ugandans in March 2002. The research is undertaken in the context of contract management in Crown Beverages Company Ltd being among the leading manufacturing and distribution companies; it manages a lot of contracts mostly with its suppliers in a bid to increase their

performance and sales. Therefore aim was to investigate the role of supplier contract management on performance of an organization

## **1.2 Statement of the Problem**

Although organizations put in place supplier contract management procedures, there are shortfalls in making sure suppliers fulfill their contractual obligations timely, safely and at acceptable level of quality (Chuahet *al.*, 2010). Due to occurrences of inefficiency in supplier contract management in organizations like Crown Beverages Ltd (CBL), there is a lot of effort put in place to make sure the organization operate in a safe manner, which made suppliers to appropriately meet their contractual obligations through application of effective supplier contract management. There are well documented procedures on Supplier Contract Management in CBL.

However some suppliers had not been performing to the agreed level for instance poor quality supplies and works, health and safety incidents and late deliveries. On other hand, some stakeholders especially the company have been not taking ownership in the supplier contract management process as the result costs are increasing, late invoice payments for service delivered, which causes cost overrun and complaints to the parties involved which that effects the organizational performance. Despite significant research progress, the effectiveness of supplier contract management on performance of organizations like Crown Beverages Ltd has not been tracked and published widely. This has motivated the researcher to conduct this study. No contract arrangement can guarantee a problem free in the contract execution. It is the quality of the people, management system of the organization that is the best guarantor of success (Bhardwaj, 2015).



### **1.3 Objectives of the Study**

#### **1.3.1 Main Objective**

To establish the relationship between Suppliers Contract Management and Organizational Performance

#### **1.3.2 Specific Objectives**

- i. To establish the relationship between Contract Objectives and organizational performance
- ii. To assess the effect of Contract relationship on organizational performance
- iii. To establish the relationship between Monitoring and Evaluation and organizational performance

### **1.4 Research Questions**

- i. What is the relationship between Contract objectives and organizational performance?
- ii. What is the effect of Contract Relationship on organizational performance?
- iii. What is the relationship between Monitoring and Evaluation and organizational performance?

### **1.5 Scope of the Study**

#### **1.5.1 Content Scope**

The study covered the effect of contract management on organizational performance using a case study of Crown Beverages Ltd. The study focused on the effect of Contract objectives, Contract relationship and Monitoring and Evaluation on performance of the organization

### **1.5.2 Time Scope**

The research considered a period of 4 years from 2012 to 2015. This period is considered because it has enough relevant information and data relevant to the study.

### **1.5.3 Geographical Scope**

The study was carried out at Crown Beverages Ltd which is located along Jinja Road in Kampala, Central Uganda. Crown Beverages Ltd has enough relevant information relevant to the study.

### **1.6 Significance of the Study**

The researcher will benefit from the findings by acquiring research skills which can be applied to conduct research in other subjects

The study will help other researchers to further research into all aspects of contract management. The study is also intended to help the researcher to discover answers to the question through the application of procedures, and to gain familiarity about contract management and organizational performance.

The study will be helpful to the organizations as it was able to know the proper way to manage their contracts so that they can be able to facilitate proper accurate, reliable and timely financial results that would be used by stake holders like, business owners, suppliers in making organizational policies and decisions

### **1.7 Justification of the Study**

Previous researchers have conducted studies on organizational performance and have come up with different opinions about the significance of contract management on performance of organizations (Feder & Just, 2010). Campbell *et al.*, (2011) is of the opinion that contract

management emerged as a reaction by marketers, and management strategies alike to find solution to the problems of untimely suppliers, poor contract and supplier management among others. The extent to which suppliers contract management has affected performance of organizations has however been left out by most researchers. If the research is not carried out immediately, the employees especially the management and other organizational stakeholders may never know how influential supplier contract management can be on their performance and hence may never develop new ways or strategies of dealing with contract related issues. Therefore this study is justified in the sense that it highlights the essence of supplier's contract management and how it contributes to performance of organizations using Crown Beverages Limited as a case study.

### **1.8 Definition of Key Terms**

**Contract Management:** This refers to the administrative activities of organizations that are associated with handling of contracts, such as invitation to bid, bid evaluation, awarding of contract, contract implementation, measurement of work completed, and computation of payments. According to Garrett, & Rendon, (2005), it also includes the ability of the organization to monitor contract relationship, address related problems, incorporate necessary changes or modifications in the contract, ensure both parties meet or exceed each other's expectations, and actively interacting with the contractor to achieve the contract's objective(s).

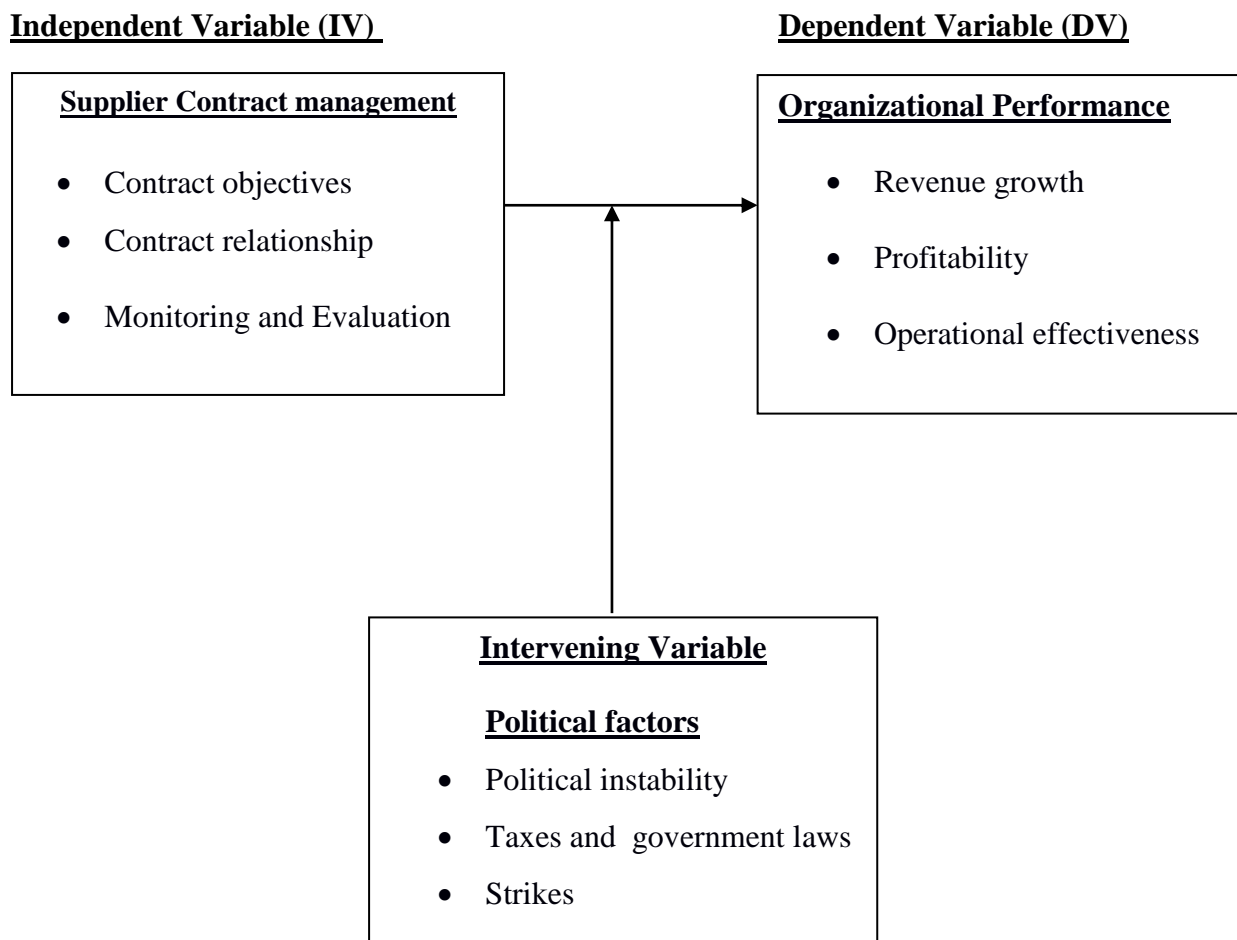
According to ITIL V3(2007), **Supplier contract management** is to ensure that all contracts with suppliers support the needs of the business, and that all suppliers meet their contractual commitments.

**Organizational Performance:** This refers to the ability of the organizations to accomplish given tasks and objectives measured against present known standards of accuracy,

completeness, cost and speed. It is also deemed to comprise the actual output or results of a business as measured against its intended outputs (or goals and objectives).

## 1.9 Conceptual Frame work

**Figure1.1: showing conceptual frame work on the role of contract management on organizational performance**



*Source: Adopted and modified from Suzanne M. Carter and Charles R. Greer (2013)*

Sekeran, (2003) states that, a conceptual framework helps to postulate or hypothesize and test certain relationships which improve the understanding of a situation. The conceptual framework describes the relationship between the independent variable and the dependent variable. In this conceptual framework, Suppliers Contract management is the independent

variable while organizational performance is the dependent variable. In the conceptual framework, supplier Contract management is characterised by Contract objectives, contract relationship and monitoring and evaluation. On the other hand organizational performance is considered as the dependent variable and has indicators such as by revenue growth, Profitability and operational effectiveness. However, the relationship can also be affected by a number of intervening variables, such as organizational policies and regulations, and government regulations, and strikes

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

This chapter dealt with review of the related literature on the study of the variables specifically on the effect of supplier's contract management on organizational performance. The major concepts are contract objectives, the study focused on the major objectives of the study which are; to establish the relationship between supplier's contract management and organizational performance, to assess the effect of contract relationship on organizational performance, and to establish the relationship between Monitoring and Evaluation and organizational performance.

### **Review of key variables**

#### **2.1.1 Supplier Contract Management**

Contract management is the management of contracts made with customers, vendors and partners. Supplier contract management sets up a procedure for establishing, modifying and terminating contracts for all suppliers. Today most organizations record some financial details about their contracts in their purchasing system, but many still store the actual contract document offline (that is, in filing cabinets). Supplier Contract management includes negotiating the terms and conditions in contracts and ensuring compliance with the terms and conditions. It includes documenting and agreeing on any changes that may arise during its implementation or execution. It can be summarized as the process of systematically and efficiently managing contract creation, execution, and analysis for the purpose of maximizing financial and operational performance and minimizing risk. (Bhardwaj, 2015).

According to Grimsey and Lewis (2004), cited by Hotterbeekx (2013), Contract management can be defined as the processes undertaken to maintain the integrity of the contract, and ensure that the roles and responsibilities contractually demarcated are fully understood and carried out to the contracted standard. Another definition of contract management is the process that ensures that all parties to a contract fully meet their obligations, in order to satisfy the operational objectives of the contract and the strategic business goals of the customer (Van, 2013).

Yan et al (2005) stressed that the central aim of contract management is to obtain the services as agreed in the contract and achieve value for money. This means optimizing the efficiency, effectiveness and economy of the service or relationship described by the contract, balancing costs against risks and actively managing the customer-provider relationship. Supplier Contract management may also involve aiming for continuous improvement in performance over the life of the contract.

The Supplier Manager is responsible for ensuring that the value for money is obtained from all suppliers. He makes sure that the contracts with the suppliers support the needs of the business, and that all suppliers meet their contractual commitments

### **2.1.2 Organizational Performance**

Organizational performance comprises of the actual output or results of an organization as measured against its intended outputs or goals and objectives. Lebars & Euseke (2006) provide a definition to the concept of organizational performance as a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results. They go ahead to explain how performance is dynamic, requiring judgment and interpretation. Performance may be understood differently depending on the person involved

in the assessment of the organizational performance (e.g. performance can be understood differently from a person within the organization compared to one from outside)

According to Suzanne M. Carter and Charles R. Greer (2013) strategic leaders are being challenged by stakeholder's demands that organizations meet triple bottom line performance measures. They describe values and established leadership styles and review the results of empirical studies investigating their relationship with organizational performance. Suggestions for future research are provided, that is continuum of leadership styles, from transactional through responsible, is developed using the dimensions of stakeholder salience and economic, social, and environmental performance outcomes.

## **2.2 Effects of Contract Objectives on Organizational Performance**

### **2.2.1 Contract Objectives**

Contract objectives create value. The need to enter into contracts with vendors, employees and even customers is the result of a business' desire to sell the best products and services (Dewatripont, 2005). Creating value for the organization is a key objective of contract management. Managing the contract is concerned with how well the other party is helping the business create and maintain this added value. If you hire a contractor to handle your payroll, for example, you want that contractor to manage your finances accurately, to pay employees on time and to provide you with periodic progress reports. Failure to do this may result in you revoking the contract, as the payroll contractor simply isn't adding value to your operations.

They determine payment of a contract. Determining payment is more than just how much will be paid for the work(s). It also includes when it will be paid and by what means. Kearney, P. (2004) demonstrated that. If the writer is expecting a PayPal transfer within a



week of the work being submitted and the client wants to pay by check within 30 days, it can lead to arguments.

To ensure quality; ensuring quality is related closely to the concept of adding value but has more to do with the employees you have on contract than it does with the vendors you take on board. The contract management process is essential in making sure employees respect the company's policies and procedures and, in turn, are welcoming, friendly and open to communication with customers (Adya, 2007). This is important from the financial perspective of the company as well. Customers who are happy come back, so contract management has a huge role to play in the financial stability and profitability of the firm

To Managing Productivity; managing productivity is related both to the creation and maintenance of value with vendors and to the process of ensuring quality of employees. Productivity is about being able to serve the wants and needs of the business, including its customer, in a timely and effective way. It is about balancing efficiency with quality. The terms of a contract often numerically lay out conditions regarding how much a vendor or employee must produce.

According to Tang (2006), Value, quality and compliance objectives increase the chances that each business purchase adds value to the business, is a good value for the money and helps purchases meet business quality standards. Compliance is a two-fold issue. Not only must contract managers ensure purchases comply with any applicable government rules or regulations, but suppliers also must have the capacity to comply with the terms of the purchase contract. Activities during the upstream or pre-award stage focus mainly on setting quality standard specifications for products and services, service level agreements and on review of incoming bids.

Contract objectives help to set standards for an efficient, effective process that allows both the supplier and the business to meet sales and purchase obligations leading to increased performance (Long-hai, 2007). The process starts with procurement planning and doesn't end until a purchase contract is complete. Each major business purchase mirrors steps in project management in that each has a specific goal, a time frame for completion and objectives the process must meet. Contract objectives ensure that suppliers or service providers fulfill the contract according to previously agreed upon contract terms and conditions before receiving payment. Contract managers monitor products for on-time delivery and installation as well as perform quality inspections. If the purchase is a service, contract managers monitor work schedules, track labor and the cost of materials. A post-award stage process of review, assessment and evaluation includes addressing end-stage issues or problems immediately to document the contract continues to meet value, quality and compliance objectives.

Good contract management goes much further than ensuring that the agreed terms of the contract are being met and this is a vital step but only the first of many which leads to increased performance (Rendon, 2005). No matter what the scope of the contract, there will always be some tensions between the different perspectives of customer and provider. Supplier Contract management is about resolving or easing such tensions to build a relationship with the supplier based on mutual understanding, trust, open communications and benefits to both customer and provider – a win/win' relationship.

### **2.2.2 Revenue growth**

Revenues may be held up by entry barriers and costs pushed down by management ingenuity. A low-profit firm will lack the finance for expansion, but a high-profit business may conclude the risk and rewards of expansion are inadequate. Revenue Growth is the percent increase (or decrease) in a company's revenue between two or more equivalent fiscal periods

Revenue Growth is used to measure how fast a company's business is expanding. The figure shows the annual rate of increase/decrease in a company's revenue or sales growth. The figures give analysts, investors and participants an idea of how much a company's sales are increasing over time. While revenue growth tends to fluctuate from fiscal year to fiscal year and fiscal quarter to fiscal quarter, investors look for trends in revenue growth as a means of gauging the company's growth over proscribed periods of time. All other things being equal, a company that is able to continually grow its revenue should see equivalent increases in net income.

As pointed out by Horngren (2006) revenue growth illustrates sales increases/decreases over time. It is used to measure how fast a business is expanding. More valuable than a snapshot of revenue, revenue growth helps investors identify trends in order to gauge revenue growth over time

## **2.3 Effect of Contract Relationship on Organizational Management**

### **2.3.1 Contract Relationship**

Santiago *et al*, (2006) argues that contract Relationship is the legal relationship between contracting-parties evidenced by (1) an offer, (2) acceptance of the offer, and a (3) valid (legal and valuable) consideration. Existence of a contractual relationship, however, does not necessarily mean the contract is enforceable, that it is not void (void contract), or not voidable (voidable contract). Contracts relationships seem radical at first, but they feel more natural once one thinks about it. If you're in an exclusive relationship, you probably have a spoken contract that says neither of you can have sex with anyone else.

A contract relationship puts those demands on paper, which has its benefits and drawbacks. It clarifies what the relationship means, and catalyzes a conversation about potential issues that

might be faced or issues that would otherwise be ignored. Since a contract feels official, one is more likely to take each term seriously, and it's nice to have a document that can refer back to. On the other hand, relationship contracts aren't for everybody. Many are concerned about the loss of spontaneity. If there are major issues underlying the relationship (insecurity, mental health, infidelity), asking for a contract can come across as an effort to control the other person.(Long-hai, 2007).

As noted by Francalanza *et al* (2013), organizations must distinguish between the contract and the contracting process and strategy, ensuring that the form of contract reflects the nature of the required relationship. In other words, relationship definition comes first. And in the event that the relationship changes, then the contract must also be adjusted,. Also, for longer term and more complex deals, the risk focus should be more on how they will be managed than on how they will be allocated.

Good contracting starts with defining the best form of relationship to achieve the desired business results. Since 'the relationship' will often continue well beyond contract signature, it is essential that the parties include governance principles. (Long-hai, 2007) suggested that negotiators should think in three phases – first, relationship models; second, contracting models; and third, communication models.

Contract relationship and organizational performance must integrate in order to deal with the growing complexity of today's trading relationships, but also recognized some obstacles to this transition. One is the need for different skills among procurement and contracts staff; another is a shift in measurements; and a third is to address the challenge of organizational models and perceptions – in particular, on the sell-side, to resolve the relationship between account management and contract / commercial management.

Contract relationship enforces value preserving governance structures which are sought to infuse order, thereby mitigating conflict, realize mutual gain and improve service delivery. Simple market exchange thus gives way to credible contracting (to include penalties for premature termination, information disclosure and verification mechanisms, specialized dispute settlement mechanisms, and the like). Unified ownership (vertical integration) is predicted as bilateral dependency hazards successively build up. This is because parties to transactions are bilaterally dependent and vulnerable (in that buyers cannot easily turn to alternative sources of supply, while suppliers can redeploy the specialized assets to their next best use or user only at a loss of productive value (Alchian, 2000).

Contract relationship helps in the transfer of procurement expertise across the organization. A proficient Contract management system captures and shares localized or soloed procurement expertise to increase contracting success, maximizing savings opportunities, and improving procurement processes. Procurement continuously builds a library of contracts and contracting experience, and has visibility into what makes a good contract good and what makes a bad contract bad. This information can then be transferred into increasing the usage of best practices and eliminating the usage of high-cost or low-success techniques, thus promoting effective performance of an organization (Norman, 2004). Additionally deploying a contract management system (CMS) that is intuitive and easy to use also helps to ease compliance with the newly centralized procurement function. With processes predefined and unavoidable through a CM system, end users are forced to comply in order to make contracted purchases, reigning in off-contract purchases and maverick spend. However, a difficult, cumbersome, unintuitive CM system only hastens the rush of resourceful users who find ways to outmaneuver the CM system, thereby undermining the performance effort.

According to Bhardwaj (2015), supplier contract management enables both parties to a contract to meet their obligations in order to deliver the objectives required from the contract.

It is also involves building a good working relationship between company and suppliers. It continues throughout the life of a contract and involves managing proactively to anticipate future needs as well as reacting to situations that rises.

Good supplier contract management goes much further than ensuring that the agreed terms of the contract are being met and this is a vital step but only the first of many which leads to increased performance (Rendon, 2005). No matter what the scope of the contract, there will always be some tensions between the different perspectives of customer and provider. Supplier Contract management is about resolving or easing such tensions to build a relationship with the supplier based on mutual understanding, trust, open communications and benefits to both customer and provider – a win/win' relationship.

### **2.3.2 Profitability**

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses. Profits are necessary for survival in the long run in a competitive environment, but organizational management may choose not to grow (Horngren, 2006). Long-term profitability derives from the relations between cost and revenue; it is a necessary but not sufficient condition for growth.

Profitability variable is the most important performance indicator to explain performance levels of the organizations. In a study by Horngren (2006) he realized that as its coefficient is significantly greater than others, Profitability can be used as a single “surrogate” performance indicator by ignoring other variables

Kulkarni (2004) pointed out that profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product, and other expenses related to the conduct of the business activities

Consequently, both are essential elements in contributing to the overall performance and success of an organization. He maintains that the operational agenda is the proper place for continual improvement, flexibility, and relentless efforts to achieve best practice.

## **2.4 Relationship between Monitoring and Evaluation and Organizational Performance**

### **2.4.1 Monitoring and Evaluation**

According to Kulkarni (2004) Contract monitoring is a regular process of evaluating agency performance based on measurable service deliverables and verifying agency compliance with the terms and conditions in the contract with the County. Kulkarni (2004) also pointed that the purposes of monitoring are to 1) improve program performance through early identification of questions and issue resolution; 2) identify potential problems that may require additional scrutiny; 3) evaluate agency performance controls to ensure there is a reliable basis for validating service deliverables, and 4) to assure that financial documentation is adequate and accurate so that costs will not be questioned later on.

The success of contract monitoring is dependent on the quality of contract terms. The effective design of contract terms begins in the solicitation requirements development phase, when it is critical to involve end-users and fiscal, program, audit, and legal staff. These groups bring specialized knowledge and expertise to the process and may have distinct needs for the procurement. As such, involving them in designing the requirements, which are later translated into contract terms, helps ensure the contract addresses those needs.

Managers should communicate the monitoring activities to the employees responsible for monitoring the suppliers (Santiago et al, 2006). Managers should also ensure that any concerns identified about a contractor are shared with appropriate agency employees, including program monitors, fiscal monitors, Finance Office staff, and Contract Office staff. Agencies should also consider sharing pertinent information with other State agencies that have contracts with the same contractor, as well as with OSC Directors of the Bureau of Contracts and the Bureau of State Expenditures. This can help to facilitate a more unified, informed approach to mitigating risk and awarding future contracts.

Francalanza et al (2013) asserted that contract monitoring plays a big role in identifying program and/or financial problems as early as possible so that corrective action may be taken to prevent/minimize program implementation deficiencies and/or financial problems that will result in questioned costs and other types of exceptions that may be identified as part of an audit of the contract.

According to Santiago et al (2006), monitoring helps provide qualitative observations and data on how well services are being provided and whether desired service outcomes are being achieved as a result of participants' participation in the contract agency's program. They also accentuated that program performance measures should provide concrete information on the impact the services are having on improved outcomes for program participants, including children and families.

Slyke (2006) stressed that during the contract monitoring process, the monitor may discover that certain contract terms were not SMART or that other issues identified during the monitoring process should be addressed or clarified in any subsequent amendment or contract, as applicable. In these instances, the monitor ensures that managers are responsible



for designing and/or modifying the contract requirements is aware of these improvement opportunities thus increasing the general organizational performance.

Another direct relation between Contract Evaluation and Organizational Performance is that it helps in obtaining the results of monitoring activities, including the quantity and quality of the work performed, the timeliness of contract deliverables, the adequacy of cost and performance records and other supporting documentation, and whether performance to date is commensurate with the amount the contractor has been paid. Through supplier contract management, contract manager is able to follow up contractual circumstances with client and subcontractors. The main work routines are to establish contract administration systems, identify critical contractual circumstances, handle variations and additional work and notify the client of variations. A contract manager should establish understanding for and raise awareness of contractual issues in the project organization

According to Office of Federal Procurement Policy (1994) the goal and benefit of contract management are: “In contract administration, the focus is on obtaining supplies and services, of requisite quality, on time, and within budget.” “Good contract administration assures that the end users are satisfied with the product or service being obtained under the contract.

#### **2.4.2 Operational effectiveness**

Operational effectiveness (OE) means performing similar activities better than rivals perform them. Operational effectiveness includes but is not limited to efficiency. Any kind of practice which allows a business or other organization to maximize the use of their inputs by developing products at a faster pace than competitors or reducing defects, for example. Operational effectiveness is often divided into four components: Leading and controlling functional performance, measuring and improving the process, leveraging and automating process and continuously improving performance.

According to Saxena, (2008) organizational success requires both the right strategy and “operational effectiveness.” He argues that there are clear differences between operational effectiveness and strategy. He points out that operational effectiveness is a necessary but not sufficient condition for organizational success, and that the same can be said as well for strategy

## **2.5 Summary of Literature**

This chapter shows the theoretical part of the objectives stated earlier in section one about this topic and brings out more of what other people have to say about contracts management on performance of organisations.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodology that was used in the study. It covered the research design, study population, sample size and sampling procedures, data collection methods and their corresponding data collection instruments, data management and analysis procedures, reliability and validity, ethical considerations and limitations of the study.

#### **3.1 Research Design**

The study used a case study design approach involving both quantitative and qualitative approaches. A case study provides an in-depth study of the problem with limited time scale. The case study approach is perceived as the most preferable way of obtaining holistic, in-depth insights into the effect of contract management on performance of organizational performance.. Yin (1994) argues that case study research strategies are appropriate for the investigation of how and why questions, especially when the concern is to study contemporary issues over which the researcher has no control. Case study research is also applicable when the boundary between a phenomenon under investigation and its organizational and social context is unclear.

A triangulation of quantitative and qualitative research techniques was adopted, in order to exploit the synergies offered by different methodologies. Both primary and secondary data was collected through interviews, Questionnaires and document review.

### **3.2 Area of the study**

The study was carried at Crown Beverages Ltd which is located along Jinja Road in Kampala Central Uganda. Crown Beverages Ltd has enough relevant information relevant to the study.

### **3.3 Study Population**

The population of study consisted of 209 (payroll, June 2015) that was composed of the top management, members of staff and casual staff. The study was conducted at Crown Beverages Ltd (CBL). This helped to determine the sample size and get relevant data for the study.

#### **3.4.1 Sample size.**

According to Barlett (2015), Sample size is defined as the act of choosing the number of observations to include in statistical sample. Sample size is an important aspect in any empirical study in which the goal is to make inferences about a population from a sample. In practice a sample size used is determined based on the used as the unit of analysis. Therefore, a sample size of 127 respondents, (Krejcie and Morgan, 1970) was selected.

#### **3.4.2 Sampling selection**

The researcher used purposive sampling technique to select key respondents because it is best suited for selecting information-rich cases for in-depth study (Barifaijo et al, 2010). Simple random sampling technique was used to collect data. All these respondents were chosen to participate in the study because they are directly involved in the daily running of the CBL.

### **3.5 Sources of Data**

The researcher used both primary and secondary sources of data as shown below.

### **3.5.1 Primary Data**

Primary data is the first hand data or information directly obtained from the population and sample group in the field. Questionnaires and an interview guide are used to get primary data.

### **3.5.2 Secondary Data**

Secondary data is information reviewed from past records which was obtained from journals, magazines and internet. Document analysis involves reviewing existing published and unpublished information relating to contract management and performance of organization. The researcher reviewed publications and reports from CBL and other researcher-generated documents, journals and reports. References from which the information is drawn are recognized in this study.

## **3.6 Data collection methods and research instruments**

### **3.6.1 Questionnaire**

A questionnaire method helped to get the information and data concerning the study variables topic of my study. The researcher formulated a close-ended questionnaire that was answered by the respondents in written form by the staff members of CBL. The questionnaires were self-administered so as to provide quick responses and the analysis is faster and suitable. The respondents were also requested to fill in the questionnaires. The data and information was later processed by editing and computed and then be analyzed by use of tables, pie charts and graphs to identify answers to the topic of study

### **3.6.2 Interviewing guide**

The researcher interviewed the respondents face to face to obtain in-depth information on the study variables. The researcher also used a structured interview guide on the targeted

respondents. The interview guide was organized so that it encompasses information about supplier contract management and performance of CBL. The interview guide was used to collect qualitative data from the administration of CBL to supplement the information that was obtained from the questionnaire.

### **3.7 Quality control methods**

#### **3.7.1 Validity and Reliability**

Validity is the ability to produce findings that are in agreement with theoretical or conceptual values. Reliability is the extent to which the instrument consistently measures whatever it is measuring. The researcher used the various methods to ensure that excellent quality of information provided involves consultation of the supervisors on the data collected. The researcher used the gathered information from the top management of CBL so as to acquire valid information. The degree of truthfulness was measured by the use of face validity where by the researcher marked conclusions that what was intended to be measured has been successfully measured. These methods were carried out in more different ways to ensure data collected is reliable so as to compare the result.

### **3.8 Data Analysis and Presentation**

The relationship between the variables was analyzed comparing the objectives of the study and data was edited, coded and checked for accuracy using Statistical Package for Social Scientists (SPSS) computer program Version 16. Quantitative data was presented in form of descriptive statistics using frequencies and percentages.

Data was presented in form of frequency distribution tables, figures, pie charts

### **3.9 Ethical Considerations**

A letter of introduction for the researcher was obtained from Uganda Martyrs University. The researcher also got the formal consent from the respondents through the respondent's acknowledgement in the designed consent form. The researcher ensured a high level of confidentiality as agreed upon with the respondents. The researcher did not bribe respondents with money to generate answers to questions.

The researcher carried out the research, and clearly explained the purpose of the study to the respondents. The researcher provided assurance to the respondents that the study was beneficial to for its intended purposes.

### **3.10 Limitation of the Study**

i) The study was limited by the respondents who seem to be busy most of the time, especially the supervisors. This limited the researcher to plan in time but the researcher overcame this by making appointments first with the respondents and the questionnaires were delivered in time and picked at a later date.

ii) Non responses; the researcher experienced a problem of non-response from respondents who were given the questionnaires to fill. However, the researcher assured the respondents that any information given would be treated with maximum confidentiality.

### **3.12 Conclusion**

The chapter is basically the backbone of the research, because it sought for information about contract management and performance of organization, by using different data collection methods, within the employees of CBL and available documents about suppliers contract management.

## **CHAPTER FOUR**

### **DATA ANALYSIS, INTERPRETATION AND PRESENTATION OF THE FINDINGS**

#### **4.0. Introduction**

This chapter presents the findings of the study and it highlights the characteristics of the respondents that were generated from interactions on effect of Suppliers Contract Management and organizational performance with a specific reference to Crown Beverages Limited. The response rate was 73.3% because respondent's cooperated. The study was based on the study objectives. This included establishing the relationship between Contract Objectives and organizational performance, to assess the effect of Contract relationship on organizational performance, to establish the relationship between Monitoring and Evaluation and organizational performance and the following results were established.

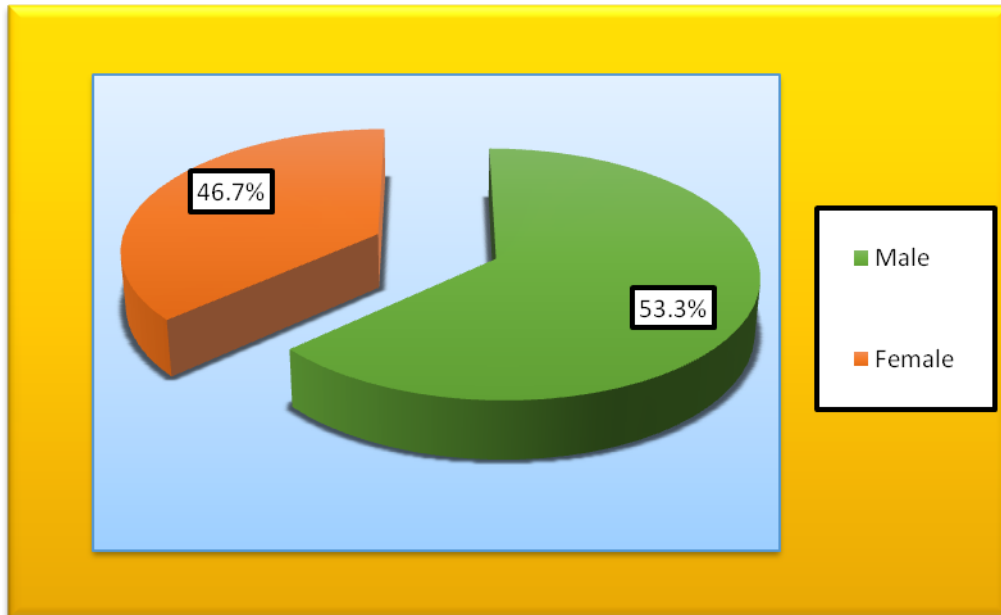
#### **4.1 Demographic Characteristics of the Respondents**

The characteristics of respondents in terms of Gender, Age bracket, level of education, and time spent at the organization were as shown below.



### 4.1.1 Gender of the Respondents

**Figure4. 1: showing Gender of the Respondents**



*Source: Primary data (2016)*

From table 1 above, the study revealed that 53.3% of the respondents were males whereas the 46.7% of the respondents were females. This showed that the majority were male compared to the female hence there was gender imbalance in the study which was related to the recruitment procedures used by the management of Crown Beverages limited. This also assisted the researcher to obtain distinct data from different sex leading to compilation of report with unbiased data. This implied the nature of business needs energetic people who can work for long hours.

#### 4.1.2 Age distribution of the respondents

**Figure4. 2: showing Age distribution**

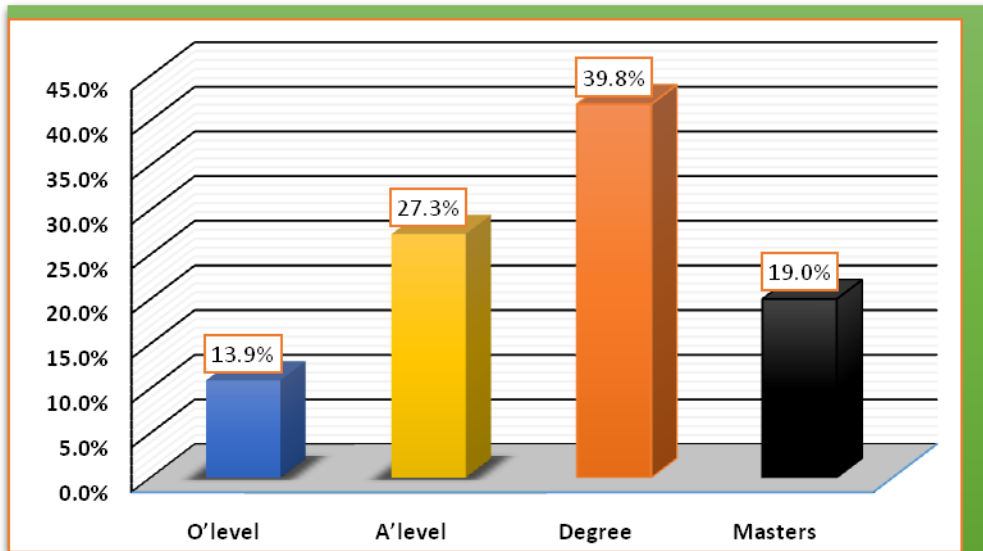
<b>Category</b>	<b>Frequency</b>	<b>Percent (%)</b>
20 years and below	29	31.2
20-30 years	32	34.4
31-40 years	22	23.7
40 years and above	10	10.8
<b>Total</b>	93	100

*Source: Primary data (2016)*

From the table 2 above out of a total number of 93 respondents, 34.4% were aged between the age brackets of 20 years and below. 31.2% of the respondents were aged between 20-30 years. 23.7% of the respondents were aged “between” 31-40year whereas the minorities 10.8% of the respondents were above 40 years. This clearly showed that the age bracket 20-30 is a productive age Crown Beverages Limited employs because they can work for long hours.

### 4.1.3 Education Level of the respondents

Figure 4.3: Showing Education Level



*Source: Primary data (2016)*

The study revealed that the majority 39.8% of the respondents had attained degrees, those were followed by 27.3% who had attained 'A'level certificates, then 19.0% were holding masters degrees whereas the minority 13.9% had finished only 'O'level, this depicted that being educated was one of the requirement for employees at Crown Beverages Limited. This helped the researcher to accurately and quickly finish the data collection process. This implied that staff is highly qualified, that will lead to the better performance of CBL.

#### 4.1.4 Time spent in the Organization

**Figure 4.4: Showing Time spent in the Organization**

<b>Valid</b>	<b>Age (years)</b>	<b>Frequency</b>	<b>Percent</b>
	2	18	19.4%
	3-4	25	26.9%
	5-7	32	34.4%
	8 and above	18	19.4%
<b>Total</b>		93	100%

*Source: Primary data (2016)*

The research revealed that the majority 34.4% had spent 5-7 years working in Crown Beverages Limited, these were followed by 26.9% who had spent 3-4 years at the company, 19.4% worked with company for 8 years and above while 19.4% had worked with the organization for less than 2 years. This showed that the most employees had enough experience with the organization and this helped the researcher to obtain detailed and relevant information. Furthermore the researcher found out that most of the staff had undergone through training in various fields like computer literacy skills.

#### 4.2 Contract Objectives and Organizational Performance

The researcher established the relationship between of Contract objectives and organizational performance. The findings were presented, analysed and interpreted in percentages, and frequencies as indicated below.

**Table 4.1: Contract Objectives and Organizational Performance**

	SA		A		NS		D		SD		Mean	STD
	F	%	F	%	F	%	F	%	F	%		
Contract Objectives enforces value preserving governance structures which are sought to improve service delivery	47	50.5%	39	41.9%	0	0.0%	5	5.4%	2	2.2%	4.12	0.782
Contract Objectives triggers the entire services' network to work towards improving performance	48	51.6%	41	44.1%	3	3.2%	1	1.1%	0	0.0%	3.44	0.594
A contract Objectives system helps to ease compliance with the newly centralized procurement function	42	45.2%	39	41.9%	6	6.5%	4	4.3%	2	2.2%	3.39	1.102
A contact management system captures and shares soloed procurement expertise to increase contracting success	70	75.3%	23	24.7%	0	0.0%	0	0.0%	0	0.0%	4.52	1.034
Contract Objectives encourages suppliers to adopt environmentally friendly processes and supply environmentally friendly goods	46	49.5%	40	43.0%	7	7.5%	0	0.0%	0	0.0%	3.34	0.598

*Source: Primary data (2016)*

#### **4.2.1 Enforcing value preserving governance structures**

Results from the findings showed that the majority 50.5% strongly agreed that contract objectives have enforced value preserving governance structures which are sought to improve service delivery, 41.9% agreed while 5.4% and 2.2% disagreed and strongly disagreed respectively. The mean of 4.12 and standard deviation of 0.782 presented the 50.5% of the respondents who strongly agreed. This implied that contract objectives enforce value preserving governance structures which are sought to improve service delivery.

#### **4.2.2 Triggers the entire services' network to work towards improving performance**

In consideration to the fact that contract objectives triggers the entire services' network to work towards improving performance, the majority 51.6% agreed, 44.1% strongly agreed, 3.2% were neutral whereas 1.1% disagreed. The mean of 3.44 and standard deviation of 0.594 presented the 57.5% of the respondents who agreed. Therefore this implied that Contract Objectives triggers the entire services' network to work towards improving performance.

#### **4.2.3 Ease compliance with the newly centralized procurement function**

It was revealed that the majority 45.2% of the respondents strongly agreed a contract objectives system helps to ease compliance with the newly centralized procurement function, 41.9% agreed, 6.5% were not sure whether a contract objectives system helps to ease compliance with the newly centralized procurement function while 4.3% and 2.2% disagreed and strongly disagreed respectively, Hence implying that a contract Objectives system helps to ease compliance with the newly centralized procurement function.

#### **4.2.4 Captures and shares procurement expertise to increase contracting success**

The findings show that the majority 75.3% strongly agreed that a contract management system captures and shares procurement expertise to increase contracting success while the minority 24.7% agreed. The mean of 4.52 and standard deviation of 1.034 presented the 67.5% of the respondents who strongly agreed. Therefore the majority strongly agree about the statement.

#### **4.2.5 Suppliers adopts environmentally friendly processes and supply environmentally friendly goods.**

In relation to the fact that contract objectives encourages suppliers to adopt environmentally friendly processes and supply environmentally friendly goods that is 49.5% agreed, 43.0% strongly agreed whereas the minority 7.5% were not sure whether contract objectives can encourage suppliers to adopt environmentally friendly processes and supply environmentally friendly goods. The mean of 3.34 and standard deviation of 0.598 presented the 52.5% of the respondents who strongly agreed. This showed that majority of the respondents strongly agree that Contract Objectives encourages suppliers to adopt environmentally friendly processes and supply environmentally friendly goods

#### **4.3 Effect of Contract Relationship on Organizational Performance**

The second objective of the study was to examine the effect of Contract relationship on organizational performance. The findings were presented, analysed and interpreted in percentages, and frequencies as indicated below.

**Table 4.2: Effect of Contract Relationship on Organizational Performance**

	SA		A		NS		D		SD		Mean	STD
	F	%	F	%	F	%	F	%	F	%		
Contract Relationship promotes and ensures sustainability in organizations thus operational effectiveness	41	44.1	33	35.5	9	9.7	6	6.5	4	4.3	4.23	0.672
Contract Relationship introduces a performance driven culture which promotes effectiveness in the organization	39	41.9	34	36.6	8	8.6	5	5.4	7	7.5	4.03	0.891
Contract Relationship enforces value preserving governance structures thus leading to improvement in the image of the company	41	44.1	35	37.6	6	6.5	7	7.5	4	4.3	3.52	0.623
Contract Relationship helps in the transfer of procurement expertise across the organization	48	51.6	32	34.4	8	8.6	0	0.0	5	5.4	4.20	1.231
Contract Relationship also enhances ease compliance with the function in the organization hence profitability	43	46.2	38	40.9	0	0.0	6	6.5	6	6.5	3.61	1.302
Contract Relationship helps the organization to boast its revenue	39	41.9	37	39.8	6	6.5	5	5.4	6	6.5	3.65	0.871

*Source: Primary data (2016)*



#### **4.3.1 Promoting and ensuring sustainability in organizations**

The findings of the study indicated that the majority 44.1% of the respondents strongly agreed that contract relationship has promoted and ensured sustainability in organizations thus operational effectiveness, those were followed by 35.5% who agreed, 9.7% of them were not sure whether this was true while 6.5% and 4.3% disagreed and strongly disagreed respectively. The mean score of 4.23 and Standard Deviation of 0.672 implied that most of the respondents agreed. Therefore contract relationship promotes and ensures sustainability in organizations

#### **4.3.2 Performance driven culture promotes effectiveness in the organization**

According to the study findings, it was presented that the majority 41.9% of the respondents strongly agreed that contract relationship has introduced a performance driven culture which promotes effectiveness in the organization, those were followed by 36.6% who agreed, 8.6% of them were not sure whether personal selling also saves costs, 5.4% strongly disagreed while the minority 7.5% disagreed. The mean score of 4.03 and Standard Deviation of 0.891 implied that most of the respondents agreed. This implied contract relationship introduces a performance driven culture.

#### **4.3.3 Enforcing value preserving governance structure**

In relation to the study findings, it was shown that the majority 44.1% of the respondents agreed that contract relationship enforces value preserving governance structures thus leading to improvement in the image of the company, 37.6% strongly agreed, 6.5% of them were not sure whether contract relationship can enforce value preserving governance structures whereas 7.5% and 4.3% disagreed and strongly disagreed respectively. The mean score of 3.52 and Standard Deviation of 0.623 implied that most of the respondents agreed.

#### **4.3.4 Transfer of procurement expertise across the organization**

In relation to the study findings, it was shown that the majority 51.6% of the respondents strongly agreed that contract relationship has helped in the transfer of procurement expertise across the organization, 34.4% agreed, 8.6% of them were not sure whether contract relationship helps in the transfer of procurement expertise across the organization whereas the minority 5.4% of the respondents strongly disagreed. The mean score of 4.20 and Standard Deviation of 1.231 implied that most of the respondents strongly agreed.

#### **4.3.5 Easy compliance with the organization**

In addition to the above, the study findings showed that the majority 46.2% of the respondents agreed that contract relationship has enhanced compliance with the function in the organization hence profitability, 40.9% strongly agreed, 6.5% of them disagreed while the minority 6.5% of the staff strongly disagreed. The mean score of 3.61 and Standard Deviation of 1.302 implied that most of the respondents agreed. Therefore contract relationship has enhanced compliance

#### **4.3.6 Revenue boast**

The findings of the study indicated that the majority 41.9% of the respondents agreed that contract relationship has helped the organization to boast its revenue, those were followed by 39.8% who strongly agreed, 6.5% of them were not sure whether Contract Relationship has helped the organization to boast its revenue while 5.4% and 6.5% disagreed and strongly disagreed respectively. The mean score of 3.65 and Standard Deviation of 0.871 implied that most of the respondents agreed. Therefore contract relationship helps the organization to boast revenue.

#### 4.4 Effect of Monitoring and Evaluation on organizational performance

The third objective of the study was to examine the effect of Monitoring and Evaluation on organizational performance. The findings were presented, analysed and interpreted in percentages, and frequencies as indicated below.

**Table 4.3:Effect of Monitoring and Evaluation on organizational performance**

	SA		A		NS		D		SD		Mean	STD
	F	%	F	%	F	%	F	%	F	%		
Monitoring and Evaluation enables the organization to put more effort to gain visibility into contracts	37	39.8	45	48.47	7.5	4	4.3	0	0.0	3.41	0.672	
Monitoring and Evaluation reduces risks involved in a transaction which has an effect on profitability	34	36.6	47	50.55	5.4	3	3.2	4	4.3	4.28	0.970	
Monitoring and Evaluation also enhances application of the most appropriate Contractual Relationship which leads to effective operation.	41	44.1	52	55.90	0.0	0	0.0	0	0.0	3.82	0.579	
Monitoring and Evaluation also enables the company to comply to contract requirements including clauses, conditions, commitments and milestones leading to revenue growth	30	32.3	49	52.74	4.3	3	3.2	7	7.5	3.38	1.125	
Monitoring and Evaluation also ensures efficient coordination of each of the parties' time and skills	27	29.0	47	50.58	8.6	7	7.5	4	4.3	3.32	1.213	
M&E enables managers to ensure that any concerns identified about a suppliers are shared with appropriate agency employees to promote effective operations	39	41.9	43	46.20	0.0	5	5.4	6	6.5	4.11	0.864	

*Source: Primary data (2016)*

#### **4.4.1 Organizations put more effort to gain visibility into contracts**

From the findings of the study, it was also presented that the majority 48.4% of the respondents agreed that the Monitoring and Evaluation has enabled the organization to put more effort to gain visibility into contracts, those were followed by 39.8% who agreed, 7.5% of the respondents were not sure about this, whereas 4.3% disagreed. The mean score of 3.41 and Standard Deviation of 0.672 represented the 56.0% who agreed. This implied that M&E enable the organization to put more effort to gain visibility into contracts.

#### **4.4.2 Reduced risk involved in transaction**

According to the findings of the study, it was presented that the majority 50.5% of the respondents strongly agreed that Monitoring and Evaluation has reduced risks involved in a transaction which has an effect on profitability, 36.6% of them agreed, 5.4% of the respondents were not sure whether Monitoring and Evaluation has reduced risks involved in transactions while 3.2% and 4.3% disagreed and strongly agreed. The mean score of 4.28 and Standard Deviation of 0.970 implied that there is a significant relationship between Monitoring and Evaluation and risk management. This implied that M&E reduced risks involved in a transaction which has an effect on profitability.

#### **4.4.3 M&E enhance application of appropriate contractual relationship.**

In relation to the findings of the study, it was indicated that the majority 44.1% of the respondents agreed that Monitoring and Evaluation enhances application of the most appropriate Contractual Relationship which leads to effective operation while the minority 55.9% of the respondents strongly agreed. The statement had mean score of 3.82 and Standard Deviation of 0.579 depicted that most of the respondents had a positive on M&E's

relevancy in Contractual Relationship. This implied that M&E enhances application of appropriate contractual relationship

#### **4.4.4 M&E enabled the company to comply with contract requirements**

In regards to the findings of the study, it was showed that the majority 52.7% of the respondents agreed that the Monitoring and Evaluation has enabled the company with comply to contract requirements including clauses, conditions, commitments and milestones leading to revenue growth, 32.3% agreed, 3.3% of the respondents were not sure about this while 3.2% and 7.5% disagreed and strongly disagreed. The statement had mean score of 3.38 and Standard Deviation of 1.125 depicted that most of the respondents agreed. This implied that M&E enabled the company to comply with contract requirements.

#### **4.4.5 M&E ensure efficient coordination of each of the parties' time and skills**

In addition to the above, the study findings presented that the majority 50.5% of the respondents agreed that Monitoring and Evaluation has ensured efficient coordination of each of the parties' time and skills, 29.0% strongly agreed, 8.6% of the respondents were not sure whether Monitoring and Evaluation ensures efficient coordination of each of the parties' time and skills 7.5% disagreed while the minority 4.3% of the respondents strongly disagreed. The statement had mean score of 3.32 and Standard Deviation of 1.213 depicted that most of the respondents agreed. This implied that M&E ensures efficient coordination of each of the parties' time and skill

#### **4.4.6 M&E enables managers to ensure that concerns identified about a supplier are shared with employees**

From the study findings, it was also indicated that the majority 41.9% of the respondents strongly agreed that M&E has enabled managers to ensure that any concerns identified about

suppliers are shared with appropriate agency employees to promote effective operations, 46.2% of them agreed, 5.4% of the clients strongly disagreed while the minority 6.5% of the respondents disagreed. The statement had mean score of 4.11 and Standard Deviation of 0.864 depicted that most of the respondents strongly agreed. Therefore this implied that monitoring and evaluation enabled managers to ensure that any concerns identified about suppliers are shared with appropriate agency employees to promote effective operations.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter draws the summary of the findings and conclusions drawn from the study based on the findings presented in data analysis and the study objectives. The chapter also advances the recommendations, as well as identifying the areas for further studies.

#### **5.2 Summary of the findings**

##### **5.2.1 To examine the effect of Contract objectives on organizational performance**

The findings revealed that the majority of the respondents agreed contract objectives have enforced value preserving governance structures which are sought to improve service delivery and they trigger the entire services' network to work towards improving performance. It was also agreed on that a contract objectives system helps to ease compliance with the newly centralized procurement function and captures soloed procurement expertise to increase contracting success. The findings revealed that the majority of the respondents agreed and strongly agreed that contract objectives encourages suppliers to adopt environmentally friendly processes and supply environmentally friendly goods

##### **5.2.2 To examine the effect of Contract relationship on organizational performance**

The study revealed that majority of the respondents strongly agreed that contract relationship has ensured sustainability in organizations and has introduced a performance driven culture which promotes effectiveness in the organization. It was also reported that contract

relationship enforces value preserving governance structures thus leading to improvement in the image of the company.

In addition to the above the study also indicated that majority of the respondents agreed and strongly agreed that contract relationship has helped in the transfer of procurement expertise across the organization and it has enhanced ease compliance with the function in the organization hence profitability. It was also identified that contract relationship has helped Crown beverages Limited to boost its revenue.

### **5.2.3 To examine the effect of Monitoring and Evaluation on organizational performance**

The study revealed that the majority of the respondents strongly agreed that Monitoring and Evaluation has enabled the organization to put more effort to gain visibility into contracts and has reduced risks involved in a transaction which has an effect on profitability. It was also reported that Monitoring and Evaluation enhances application of the most appropriate Contractual Relationship which leads to effective operation

Furthermore, the study indicated that majority of the respondents agreed and strongly agreed that Monitoring and Evaluation has enabled the company to comply to contract requirements including clauses, conditions, commitments and milestones leading to revenue growth. It was also reported that Monitoring and Evaluation has ensured efficient coordination of each of the parties' time and skills and it has enabled managers to ensure that any concerns identified about a contractor are shared with appropriate agency employees to promote effective operations.

## **5.3 Conclusions**

### **5.3.1 Contract Objectives and organizational performance**



In conclusion it was found out that the contract objectives have enforced value preserving governance structures, triggered the entire services' network, simplified compliance with the newly centralized procurement function, captured procurement expertise and it has encouraged suppliers to adopt environmentally friendly processes.

### **5.3.2 Effect of Contract Relationship on Organizational Performance**

It was exposed contract relationship has ensured sustainability, value preserving governance structures, transfer of procurement expertise, ease compliance with the function in the organization and it has helped in boasting the company's revenue.

### **5.3.3 Effect of Monitoring and Evaluation on Organizational Performance**

From the study, it was also concluded that Monitoring and Evaluation has provided visibility into contracts, reduced risks, enhanced application of the most appropriate Contractual Relationship, compliance to contract requirements and it has ensured efficient coordination of each of the parties' time and skills thus promoting effective operations.

## **5.4 Recommendations**

Based on this study, the researcher made the following recommendations;

Monitoring and Evaluation should be done as a regular process of evaluating agency performance and should be based on measurable service deliverables and verifying agency compliance with the terms and conditions in the contract with the organization.

The organization adopt the use of a monitoring instrument which specifies the activities that will be evaluated, the tests and procedures to be applied, the methodology for determining the specific transactions/units of activity that will be examined and tested.

In managing the physical contract and the timetable for making key decisions, hard copy contracts should be stored and logged, to be easily accessible when required; for complex contracts, a summary and/or contract operations guide is produced.

Crown Beverages limited should adopt the use of Contract management software for recording key information, to give, for example, search capability; relevant ongoing contract management information and documentation is retained and managed.

### **5.5 Areas for further study**

Therefore there is need for further research in the following areas;

Challenges faced in contract monitoring and evaluation

Risk management in Contracts and their effect on the performance of the organization

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## APPENDICES

### Appendix 1: Questionnaire

Dear respondent,

My name is **KOMUJUNI SANDRA** a student of Uganda Martyrs University. I am carrying out a research study on the topic of **“The effect of Supplier Contracts Management and Organizational Performance”**. This questionnaire is therefore intended to seek information on the above subject matter. The information is purely for academic purposes and all the answers will be handled with utmost confidentiality. I therefore humbly request that you complete this questionnaire correctly in the spaces provided or options given (Please, tick the appropriate answers where options are given).

#### Section A: Background Information

i). Gender:

a) Female       b) Male

ii). Age

a) 20 years and below       b) 20 – 30 years       c) 31 – 40 years   
d) 40 years and above

iii). Academic Qualification

a) “O’ Level       b) “A” level       c) Degree       d) Masters

iv). Time spent in the Organization

a)  Less than 2 years       (3-4) years       (5-7)  
years

d) 8 years and above

**SECTION B**

**Please use the scale below to tick the appropriate answer on the best in the statements below;**

SA	A	N	D	SD
strongly agree	Agree	Not sure	Disagree	strongly disagree

To what extent do you agree with the following statements with regards to the roles of Contract Objectives to ensuring organizational performance?

		SA	A	N	D	SD
1	Contract Objectives enforces value preserving governance structures which are sought to improve service delivery					
2	Contract Objectives triggers the entire services' network to work towards improving performance					
3	A contract Objectives system helps to ease compliance with the newly centralized procurement function					
4	A contract Objectives system helps to ease compliance with the newly centralized procurement function					
5	Contract Objectives encourages suppliers to adopt environmentally friendly processes and supply environmentally friendly goods					

State any other role of contract objectives to ensuring organizational performance

.....

.....

To what extent do you agree with the following statements with regards to the Contract Relationship and organizational performance?

		<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
6	Contract Relationship promotes and ensures sustainability in organizations thus operational effectiveness					
7	Contract Relationship introduces a performance driven culture which promotes effectiveness in the organization					
8	Contract Relationship enforces value preserving governance structures thus leading to improvement in the image of the company					
9	Contract Relationship helps in the transfer of procurement expertise across the organization					
10	Contract Relationship also enhances ease compliance with the function in the organization hence profitability					
11	Contract Relationship helps the organization to boast its revenue					

State any challenges faced in ensuring effective contract relationship in organizations.

.....  
 .....

How have you been able to overcome the challenges?

.....  
 .....

To what extent do you agree with the following statements with regards to the Monitoring and Evaluation and organizational performance?

		SA	A	N	D	SD
12	Monitoring and Evaluation enables the organization to put more effort to gain visibility into contracts					
13	Monitoring and Evaluation reduces risks involved in a transaction which has an effect on profitability					
14	Monitoring and Evaluation also enhances application of the most appropriate Contractual Relationship which leads to effective operation					
15	Monitoring and Evaluation also enables the company to comply with contract requirements including clauses, conditions, commitments and milestones leading to revenue growth					
16	Monitoring and Evaluation also ensures efficient coordination of each of the parties' time and skills					
17	M&E enables managers to ensure that any concerns identified about suppliers are shared with appropriate agency employees to promote effective operations					

State any other strategies for improving M& E in contract management in organizations?

.....  
 .....



## Appendix II: Sample Size Determination

Note: “N” is population size and “S” is sample size.

N	S	N	S	N	S	N	S	N	S
10	10	100	80	280	162	800	260	2800	338
15	14	110	86	290	165	850	265	3000	341
20	19	120	92	300	169	900	269	3500	246
25	24	130	97	320	175	950	274	4000	351
30	28	140	103	340	181	1000	278	4500	351
35	32	150	108	360	186	1100	285	5000	357
40	36	160	113	380	181	1200	291	6000	361
45	40	180	118	400	196	1300	297	7000	364
50	44	190	123	420	201	1400	302	8000	367
55	48	200	127	440	205	1500	306	9000	368
60	52	210	132	460	210	1600	310	10000	373
65	56	220	136	480	214	1700	313	15000	375
70	59	230	140	500	217	1800	317	20000	377
75	63	240	144	550	225	1900	320	30000	379
80	66	250	148	600	234	2000	322	40000	380
85	70	260	152	650	242	2200	327	50000	381
90	73	270	155	700	248	2400	331	75000	382
95	76	275	159	750	256	2600	335	100000	384

Source: Krejcie, R. V., & Morgan, D.W. (1970).