



CONTRACT NEGOTIATION PRACTICES AND PERFORMANCE OF STATE CORPORATIONS IN NAIROBI CITY COUNTY, KENYA

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ABSTRACT

Negotiation is one of the techniques used by most organizations that help them save money. Not only does negotiation save money for an organization it is also a vital and very important step in the procurement process. The contract are the documents that bind together the buying organization and the supplier therefore during contract negotiation both parties to the contract should be keen and careful because the contract details contain how both parties interacting with each other. The main objective of this study was to establish determinants of contract negotiation on service state cooperation in Kenya. The study was guided by the following specific objectives; to examine if payment terms affect performance of service of state corporations; to determine if procurement laws and regulations affect performance of service state corporations. The theories used in this study included transaction cost theory and institutional theory. A descriptive research design will be adopted in this study. The study targeted 156 service state corporations in Kenya. The unit of observation included 52 procurement officers, 26 finance officers, 26 quality control officers and 52 legal officers. A simple random sampling approach was used with a sample size of 100 respondents. Questionnaires were used to collect data which was analyzed through SPSS software version 24. A pilot study was carried out to test both reliability and validity of the data collection instrument. The findings of the study were tabulated. Findings show that; there is a moderate significant relationship between payment terms and performance of service state corporations was ($r= 0.378$, $p\text{-value}=0.001$), a strong positive relationship between procurement laws and regulations and performance of service state corporations was ($r = 0.684$, $p\text{-value}=0.001$). The study recommends that; the state corporations should adopt e-payment such as Electronic Fund Transfer to enhance level of accountability in the procurement payments. The management of state corporations should ensure that all stakeholders in the supply chain adhere to procurement rules and regulations.

Key Words: Contract negotiation, Payment terms, Procurement laws and regulations, State corporations, Performance

Background of the Study

The existence of a contract between the buyer and the seller is very important. Contracts are the binding agreements between a buying organization and a seller; the contracts clearly highlight the roles and the responsibility of the different parties to the contract. Once a supply chain department has identified the best supplier, who will be able to supply the goods, works or services for the organization the next step is to enter into a contract with that supplier. The negotiation aspect of a contract is very important as a buying organization you want the best deal so that you can be able to save money for the organization (Penfield, 2010). Negotiation is like a chess game: you need to have a game plan before you start.

Most of the time when drafting a contract, organizations would seek advice or assistance from the legal department, you seek help from experts in the legal department who will help you draft the contract ensuring that all terms in the contract are clear and there are no loopholes in the contract. Supply chain professionals often interact with new and different supplier. For there to be a smooth running relationship between the buying organization and the supplier a contract has to exist that lays down the parties responsibilities. The supply chain professionals negotiate with existing supplier to improve on the terms of a contract that they had earlier entered into or they can negotiate on a new contract that they want to enter into with the supplier (Siagian, 2018).

Negotiation is about doing things that are appropriate to each situation you face with the information as you see at that moment in time (Gates, 2015). Negotiation is more appropriate when other issues besides price are important or when competitive bidding will not satisfy the buyer's requirement on various issues (Monczka, Handfield, Guinipero, Patterson.j, & Waters, 2010). It is very important that the government come up with policies that will govern both regional and international negotiation of contracts.

According to (Kabuoh, Egwuonwu, & Ajike, 2015) the growth of new emerging markets and of the global economy has seen increasing demand for negotiation training. This has made the buyer to interact with people from very diverse cultures across the universe. A contract will be the binding agreement between the buying organization and the supplier. Prior to entering into a contract the supply chain officer and the supplier have to be properly prepared and well diverse with the other parties culture. The negotiation process calls for expertise in the field of negotiation. An expert in negotiation will be able to help the organization gain the best deal, Every time a party negotiate they gain more experience in negotiation making them better negotiators. Negotiation is a skill, and like any skill, the more you use it the better you get (Frascogna & Hetherington, 2001). When the buyer gets into the negotiation process for him to have an advantage he must have done some groundwork on the seller which will enable him know who he/ she is up against. (Kriesberg, 2007) Experience and exchanging stories of past negotiation help expand negotiators' repertoires and so improving their skills.

The best strategy to enter into a contract is having a set out objective that will guide you during contract negotiation. Before negotiation takes place allot of planning is necessary. Planning will enable each party to the contract to know the grounds of the negotiation and what each party is aiming to gain from the negotiation. During negotiation, each party wish to get a deal that will most likely favor them. Where the negotiation is going to take place is very important the surroundings should be considered. The surroundings should be favorable to favor both the buyer and the seller. The surroundings in which the negotiation is taking place should be somewhere neutral it should not favor one party. (Fells, 2016)The good negotiator will systematically evaluate each option before deciding. Contracts can last for months or years depending on the organization or the work to be done, when entering into a contract. Negotiation is usually a process and there are usually some steps that ought to be followed during the negotiation process. Negotiation needs skills and a lot of expertise in that field, for you to succeed in that field, most often or not each

party when entering into a negotiation have their own interest at hand. Each parties aim is the deal out of that negotiation. Both parties should aim for a win-win situation. (Oliver, 2011)The win-win concept is where we look for our best interest, but where we understand that the other person's interest, if served well, can often serve ours even better. To be effective, both parties must feel they have won.

Statement of the Problem

Contract negotiation 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 negotiation with the main objective of achieving the goal of concluding a contract that is fair, reasonable and beneficial to both parties. Effectiveness of performance in the State Corporations has been noted to be a big challenge and below the expectations and led to strained national budget without equivalent results. The Kenya government has lost hundreds of millions of tax payer's money through canceled contracts, unfinished projects, poor service or product delivery, corruption and extended contract periods in the last eight years without major improvement. State corporation play a crucial role in service delivery to the public. However, some of these corporations have been experiencing losses.

An evaluation of the performance of Ministries, State Corporations and Tertiary Institutions for the Financial Year 2019/2020 showed that out of the 223 State Corporations, five (2.2%), performed excellently, and 23% attained a very good grade. Majority of the state corporations (167) representing 74.8%, achieved either a good, fair, or poor grade which means that they did not achieve their performance targets. Further analysis showed that there was a decline in performance in the FY 2019/20 (3.1449) compared to FY 2018/19 (3.1972). Some of the state corporations were reported as not viable since they incurred losses for 3 years consecutively. Previous studies conducted by Rotich (2014) and Kikwezi (2012) on factors affecting contract management in public procurement sector in Kenya implies that little research have been conducted on influence of contract negotiation on performance itself. This study therefore, sought to fill the knowledge gap by empirically investigating the influence of contract negotiation Practices on performance of Service State Corporation in Kenya.

Objectives of the study

The general objective was to establish the relationship between contract negotiation practices and performance of Service State Corporations in Kenya.

The specific objective of this study are;

- i. To examine if payment terms affect performance of Service State Corporation in Kenya.
- ii. To determine if procurement laws and regulations affect performance of Service State Corporation in Kenya.

LITERATURE REVIEW

Theoretical Framework

Transaction Cost Theory

Transaction cost theory (TCT) argue that, during any economic trade the cost of the product or service include all hidden cost (Christiansen, 2015). For a business transaction activity to take place the buyer has to pay the seller an agreed upon amount in exchange for the good work or service. (Solomon, 2007) Transaction cost theory is based on the fact that firms have become so large that they, in effect, substitute for the market in determining the allocation of resources. Transaction cost theory is very important to this study as it helps us to explain the payment term variable. Transaction cost greatly assist firms in coming up with the perfect contract amount. The

buying firm and the supplying firm both agree on a cost before they enter into a contract. This theory provides guidelines to help predict when an organization may internalize particular job function or contract for them in the temporary market under particular competitive strategy (Glasgow, 2001).

According to (Rij, 2008) Transaction cost theory is based on the idea that different business institutions have different effect on transaction cost, which need to be reduced in order to increase efficiency. Organizations are entangled on whether to buy or make a specific product. When a firm realizes it is inexpensive to buy than to make a product, the organizations tend to look for the best supplier of the said product and they enter into a contract with the supplier. Transaction cost are crucial for making or buying decisions and hence affect the choice between the firm and the market (Tietze, 2012). Payment to suppliers involves transactions that are mostly conducted through the bank either physically or through electronic funds transfer. The theory hence relates to the variable on payments terms used to pay suppliers.

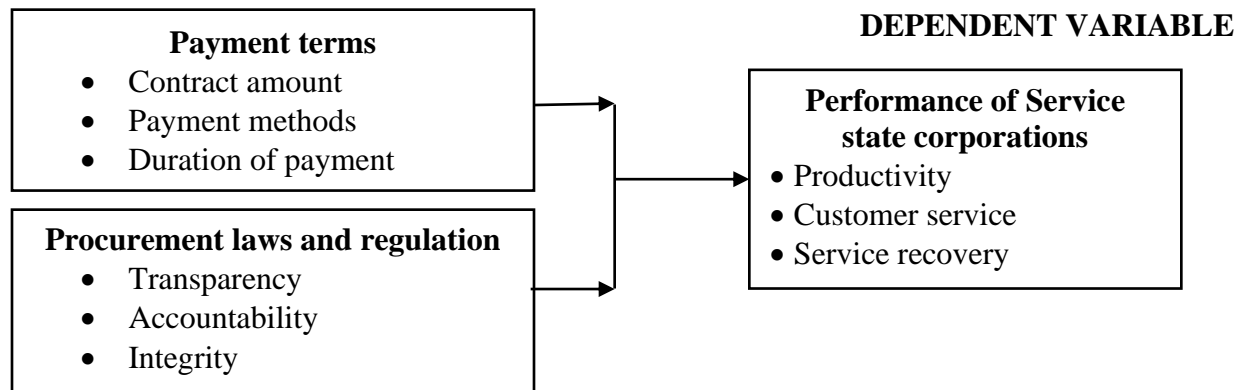
Institutional Theory

Institutional theory explain how organizations are influenced by external forces. The theory tries to explain how rules are established by bodies whose main aim is to ensure equality in all organizations; the organizations are meant to follow the set out rules. There are three pillars of institution regulatory, normative and cognitive (Peng, 2016) formal institutions include laws, regulations and rules. "The regulative pillar is the coercive power of government". Institutional theory tries to explain how rules and incentives influence the organizations. Institutional theory analyzes the way in which organizations i.e. political bodies, economic bodies, social bodies and education bodies cooperate or act jointly in a society and how they adopt to changing regulations, cognitive and normative conditions (Tihanyi, Devinney, & Pedersen, 2012).

This theory is very important to this study as it tries to explain how regulatory framework drive an organization. The government forms regulations and for them to ensure that the regulations are being followed they have established an entity that ensures all procurement entities follow the law and the regulations set out. Formal institutions are explicitly created usually by government legislation and are composed of written rules, regulations, laws and contracts that represents the choices made by a society to give structure to their relations with others (Tihanyi, Devinney, & Pedersen, 2012). The law that governs activities in public procurement is the PPDA 2015. In addition, the PPRA was formed to ensure that the regulations in PPDA 2015 are followed. Institutional theory assumes that actors and organizations interrelate in an institutional framework that is legal, social and political and that this interaction between them shapes economic activities (Tihanyi, Devinney, & Pedersen, 2012). That the different organizations run all their activities differently but all have to follow similar regulations set out by the government. The regulations aim at protecting the organizations and the citizens of a country. Institutional organization theory have become increasingly established as a way of establishing how organizations work in interaction with the world around them (Furusten, 2013). The theory supports the variable on procurement laws and regulations since they are standard and set up government to be followed by all state corporations.

Conceptual Framework

A conceptual framework is an argument about why the topic one wishes to study matters, and why the means proposed to study it are appropriate and rigorous. (Ravitch & Riggan, 2012) A conceptual framework is a series of sequenced, logical propositions the purpose of which is to convince the reader of the studies importance and rigor. This study's conceptual framework has covered four independent variables and one dependent variable.

INDEPENDENT VARIABLE**Figure 2.1: Conceptual Framework****Payment Terms**

Payment terms are among the key aspect to consider during negotiation. The procuring entity together with the supplier each want to negotiate on the best payment terms most favorable to them. There are usually no common payment terms that can be used in all organizations; therefore, payment becomes the most important part during negotiation “the heart of the negotiation”. The payment being negotiated should favor both parties involved. (Institute, 2013) When a contract is bid or negotiated the basis of payment that will be used in the contract is clearly stated in the procurement document. Payment provisions, include amount to be paid, schedule of payment and payment procedures, are agreed upon during negotiation (Riberio, 2009). When an organization decides that it is more economical to buy a specific product instead of making the product, the organization seeks to find the supplier with the least price product while still observing quality. The buying organization has a set out budget for that particular procurement. An organization’s aim during negotiation is to negotiate an amount below the set budget and in no instant should the amount exceed the set budget. The pricing, budget assessment and contingency for the project should have been established during the procurement phase (Defant, 2013).

There are different payment methods that are used by the procuring entity and the supplier. Once they have agreed on the payment amount, they will start to negotiate on the payment method to be used. There are four basic models for payment, ranging from payment in advance to payment on result (Cummins, David, & Kawamoto, 2011). The buyer and the seller can agree on payment in advance where the seller will be paid before the work is done or will receive part payment before the work is done and the remaining amount after the work is done. They can also agree on payment on result where the seller will be paid the whole amount after the work is done. Therefore, it is very important to agree on clear payment methods during contract negotiation to help avoid conflict in the future and to help improve performance of the organization. (Miller, 2016) When parties do not specify payment methods, payment is due at the time and place at which the buyer is to receive the goods. The duration of the payment is agreed upon during negotiation, they agree on when the seller has to be paid after invoicing. After the seller has finished the work that he was contracted to do how long the company can take without paying, say a period 30days or less and the buyer should always ensure that the seller is paid within the agreed time. In drafting, the terms and condition the duration of payment for the contract being entered into must be clearly stated after both parties have agreed.

Procurement Laws and Regulations

Having regulations in place is very important for the effective running of any business activity. The procurement act covers in details all aspects of procurement in Kenya, and its regulations

provide further details (Quinot & Arrowsmith, 2013). The regulations act as a guiding principal in the day-to-day running of activities. During contract negotiation, there are a set regulatory frameworks put in place that help guide the negotiation. (Quinot & Arrowsmith, 2013) It is the procurement act, with its regulations, that regulate all aspect of procurement process until an enforceable contract has come into being. . The government sets out standards that have to be observed by all parties involved in contract negotiation. The standards help in the protecting of citizens of a country. (Gatti, 2013). Good government policy, if you ever get it, reconciles a variety of bona fide, legitimate interests.

The extent of regulatory framework implementation is very important. Organizations should always aim at always implementing all regulatory frameworks available and be able to follow them accordingly. The government after setting regulatory framework they form government agencies who will assist in ensuring that the frameworks are followed. Under the PPDA 2005, the PPOA was established to ensure that the procurement procedures established under the act are complied with and to initiate public procurement policy and propose amendment to the act or to the regulations. The PPDA 2015 there was established the PPRA whose core mandate is monitoring, assessing and reviewing public procurement and asset disposal system to make sure that national values together with provisions of the constitution are respected. The Public Procurement Oversight Authority (PPOA) is obliged by law to make sure that every public institutions follow ethical procurement processes by adhering to procurement norms and principles stated in the Public Procurement and Asset Disposition Act (2015). KISM has laid out a code of ethics for procurement professionals which include confidentiality, transparency, integrity and fairness and ensuring compliance to rules and regulations (KISM 2012). Unethical behaviors, according to the Contract Monitoring Kenya Network (CMKN), are a major factor contributing to procurement inefficiencies in Kenya's major public institutions, leading to misappropriation of public funds.

Procurement transparency ensures that guiding principles are strictly observed and adhered to. The OECD plays a critical role in promoting good governance in the public sector. Members must ensure that public procurement system is transparent at all phases of procurement cycle, (OECD, 2015b). procurement accountability is predicated on accurate records in different phases of bidding process. To ensure accountability, procurement decisions should be thoroughly recorded, reasonable, and substantiated in compliance with relevant laws and policies (Dant, 2016). In public procurement, integrity implies public resources are put into intended use. For instance if money is meant for procuring medicines for a public hospital, then the funds must be used for that purpose. Public procurement systems, as well as public procurement regulation, have the goal of ensuring system integrity (Anane &Kwarteng, 2019).

Performance of Service State Corporations

According to (Bhattacharyya, 2011)Successful performance management practices in organizations, apart from nurturing a motivation work culture bring in effectiveness, efficiency, quality, productivity, innovation and productivity. (Mohamed & Awuondo, 2013)Stated that the performance of service state corporations has been characterized by both success and failures, in reviewing their performance therefore this must be carefully noted in making a judgment on the way forward. Productivity can also assist organization in measuring performance. The productivity of service state corporations is tied to the performance of the employees. The money used in most Service state corporations are tax payer's money, hence a number of individuals are really relying on how productive that said corporation is, as most people require that any money should be used in the most efficient and effective way. Performance is used as the level/degree of goal achievement of an organization/ department rather than of individuals (Samsonowa, 2011).

Performance objectives are framed to define the future state of achievement, which allows the organization to succeed and to create value (Bhattacharyya, 2011). Service State Corporation always aim at improving their performance. Customer service is one of the ways that Service state corporations can improve performance. One way of customer service is follow-ups where the employees of the organization will contact the customers to see if the service was okay or not to help the organization improve its performance. One of the ways of achieving customer satisfaction is through customer service, relative to a product or service in whatever way the customer defines his or her need and have that service delivered with efficiency compassion and sensitivity (Gibson, 2013).

Organizations to improve on their performance they rely on the feedback they get from the customers and if the feedback they get is negative the organizations tries as much as they can to improve on their services so that the can retain their existing customers at the same time attract new customers. (Koc, 2017)Service recovery includes three pillars: customer recovery by retaining customers and by fixing the failure, process recovery by learning from failures and improving processes and finally employee recovery by training the employees. According to (Malhotra, 2013) service recovery can increase customer satisfaction, such is the case only when the failure is modest and the recovery effort is superior.

Empirical Review

Payment Terms

Demel, Woodall, Anderson, and Walton (2012) argued that ‘The contracting officer’s primary concern is the overall price the government will actually pay. The contracting officer’s objective is to negotiate a contract of a type and with a price providing the contractor the greatest incentives for efficient and economic performance.’ This implies the contractor is entitled to a fair and reasonable price. After all, it is in the best interest of the government to negotiate contracts that contribute to contractor’s survival and thereby support the long-term success of government contracting. He further stated that the internet may increase the visibility of pricing in the market price, and public procurement professionals can use this information to help build their bargaining position.

According to Kiswili, Mwithiga, Chepkulei, and Omar (2015) the ability to get a good price is come times held to be the prime test of a good buyer. If by good price meant the greatest value, broadly defined, this is true. The purchaser must be alert to different pricing methods, know which is appropriate and use skill in arriving at the price to be paid. The study also found out that there is no reason to apologize for emphasizing price or for giving it a place of importance among the factors to be considered. The purchaser rightly is expected to get the best value possible for the organization whose funds are spent.

Procurement Laws and Regulations

According to a study conducted by (Bouwman, Thiel, Deemen, & Rouwette, 2019)on cooperation and competition in public sector negotiations: a laboratory experiment. Compared to private sector employees, public sector employees are more attached to politics and policy are interested in working for public cause and have high level of compassion and self-sacrifice. He argued that these characteristics are important in negotiation, as they will affect negotiation behavior. Enofe Okuonghae, and Onobun (2015) focused on effect of public Procurement law on performance of state corporations in Nigeria. The study employed survey research design. The sample size was 80 staff members. Results revealed that procurement transparency have a significant relationship with performance of state corporations. Procurement transparency helped to mitigate risks in public procurement.

In Tanzania, Mrope, Namusonge and Iravo (2017) sought to examine determinants of procurement integrity in state parastatals in Tanzania. The study target was 70 staff and questionnaires were used for data collection. Results showed that the state parastatals adopted ethical procurement practices which ensured flawless supply process. Moral procurement practices discouraged public officers from gaining personally through immoral behaviors. According to a study conducted by (Kiswili, Mwithiga, Chepkulei, & Omar, 2015) they found out that in Kenya in accordance to the public procurement and asset disposal act (2005), public procurement and disposal regulations (2006), which regulate the public sector procurement: a procuring entity only enters into negotiation pursuant to section 84 of the act once the tender committee has approved the successful project.

RESEARCH METHODOLOGY

Research design is the point where questions raised in theoretical or policy debates are converted into feasible research project and research programmes that provide answers to these questions (Hakim, 2012). This study adopted a descriptive research design whose major focus is on contract negotiation on performance of Service state corporations in Kenya. This study focused on quantitative research design using descriptive survey research. Target population is the group of element for which the survey investigator wants to make inference by using the sample statistics (Groves, Fowler, Couper, Lepkowski, & Sin, 2009). This study targeted 26 service state corporations in Nairobi. The unit of observation was managers in the procurement, finance, quality control and legal departments of the 26 services state corporations in Kenya. The respondents were targeted since they oversee the procurement process, as well as payment in the state corporations. This study used census. This type of sampling is recommended when the target is less than 100. The researcher hence sampled all managers in the procurement, finance, quality control and departments. The study sample was 104 respondents.

This study used quantitative data collecting instruments. The study used questionnaires for data collection. According to (Dornyei & Taguchi, 2009). It also help to ensure that research instruments are stated clearly and had the same meaning to all respondents. In order to achieve high precision pilot studies, 1% to 5% of the population should constitute the pilot test size (Lancaster, *et al.*, 2012). A total of 7 employees in commercial state corporations were sampled for pilot testing. The study used quantitative method of data analysis to examine the effect of the independent variable on the dependent variable. Descriptive statistics will be used to analyze the quantitative data. The data collected from the questioners was tabulated and later analyzed using both frequencies and percentages. The SPSS software version 24 was used to analyze information obtained from the questionnaires. In order to be able to understand the relationship between the variables this study used both multiple regressions analysis and correlation.

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

The study participants were procurement officers, finance officer, quality control offices and legal officers of 26 service state corporations in Kenya. The sample was 100 respondents and the response rate was 78%. This is considered as a good representation of the study sample as recommended by Mugenda and Mugenda (2008) that a response rate of more than 70% and is excellent for analysis

Payment Terms

The first objective of the study sought to examine whether payment terms affect performance of Service State Corporation in Kenya. Respondents were asked to tick on the degree to which they agree/disagree with statements related to payment terms. Findings are presented in Table 4.4.

Table 1: Payment Terms

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
The contract include the payment terms as agreed upon with contractors	0	0	8	10.3	9	11.5	50	64.1	11	14.1	3.82
Modes of payment is consistent with negotiated terms	0	0	12	15.4	5	6.4	41	52.6	20	25.6	3.88
Contract amounts cannot be affected by inflation.	6	7.7	3	3.8	5	6.4	19	24.4	45	57.7	3.53
The suppliers are paid as indicated in the contract. That includes but not limited to; duration of payments, mode, efficiency of work done.	15	19.2	39	50.0	6	7.7	11	14.1	7	9.0	2.45

Findings show that respondents agreed that; contract include the payment terms (m=3.82), modes of payment is consistent with negotiated terms (m=3.88), and contract amounts cannot be affected by inflation (m=3.53). Respondents however disagreed that the suppliers are paid as indicated in the contract (m=2.45). Findings imply that the organization has policies on payment of suppliers. The payment terms are as well included in the contract documents. The suppliers are also paid according to the quoted prices irrespective of the economic status hence inflation does not affect the amount of money paid to suppliers. However, some suppliers are not paid accordingly meaning there may be over or underpayment of suppliers. Findings are in agreement with Kiswili, Mwithiga, Chepkulei, and Omar (2015) that finance officers must have the skills to know how to pay suppliers and uphold procurement integrity.

Procurement Laws and Regulations

The third objective sought to determine if procurement laws and regulations affect performance of Service State Corporation in Kenya. Respondents were asked to tick on the degree to which they agree/disagree with statements related to procurement laws and regulations. Findings are presented in Table 2.

Table 2: Procurement Laws and Regulations

Key: SA=Strongly Agree, A=Agree, NS=Not Sure, D=Disagree, SD= Strongly Disagree, M=Mean

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
Employees are well aware of the procurement laws and regulations	13	16.7	41	52.5	4	5.1	10	12.8	10	12.8	2.53
Individual staff are held liable for conduct that may be against the PPDA	5	6.4	7	9.0	4	5.1	48	61.5	14	18.0	3.82
Government policies that affect the procurement policies are usually implemented	8	10.2	4	5.1	5	6.4	18	23.1	43	55.1	4.03
Implementation of regulatory framework are done according to the government standards	2	2.5	9	11.5	12	15.4	33	42.3	22	28.2	3.95

N=78

Findings show that the respondents agreed that; government policies that affect the procurement policies are usually implemented (m=4.03), implementation of regulatory framework are done according to the government standards (m=3.95), and the individual staff are held liable for conduct that may be against the PPDA (m=3.82). Findings also show that respondents disagreed that employees are well aware of the procurement laws and regulations governing contract negotiation (m=2.53). Findings imply that the corporations have implemented government policies related to procurement. The policies meet the standards recommended by the government. However, majority of the employees are not aware of the regulatory framework governing contract

negotiation which may affect implementation of the regulations. Findings are in agreement Karungani and Ochiri (2017) that policy and regulatory framework within the procurement sector plays a vital role in improving organizational performance. Demel, Woodall, Anderson, and Walton (2012) asserted that procurement professionals need to be familiar with policies and regulations applicable for contract management.

Performance of Service State Corporation

The study further to determine performance of Service State Corporation in Kenya. Respondents were asked to tick on the degree to which they agree/disagree with statements related to performance. Findings are presented in Table 3.

Table 3: Performance of Service State Corporation

Key: SA=Strongly Agree, A=Agree, NS=Not Sure, D=Disagree, SD= Strongly Disagree, M=Mean

Statements	SD		D		N		A		SA		M
	F	%	F	%	F	%	F	%	F	%	
The staff are highly productive	0	0	9	11.5	8	10.3	41	52.6	20	25.6	4.18
There are few complaints about service delivery from the public	30	38.5	35	44.9	3	3.8	4	5.1	6	7.7	1.78
Services are delivered as and when needed promptly	25	32.1	44	56.4	4	5.1	5	6.4	0	0	1.82

N=78

Findings show that the staff agreed that they are highly productive (m=4.18). In addition the staff, the staff strongly disagreed that there are few complaints about service delivery from the public (m=1.78), and they also disagreed that services are delivered as and when needed promptly (m=1.82). Findings imply that although the staff carry out their duties effectively, there is still slow service delivery which result to complaints from the public. Findings concur with Mohamed and Awuondo (2013) that the performance of service state corporations has been characterized by both success and failures, in reviewing their performance.

Correlation Coefficient

The researcher used the Karl Pearson's coefficient of correlation (r) to show the relationship between the study variables. Correlation coefficient (r) of 0.10 to 0.29 shows weak correlation, 0.30- 0.49 moderate, and 0.50 - 1.0 is considered strong (Wong & Hiew, 2005). The findings are as shown in Table 4:

Table 4: Correlation Coefficient

Variables	performance	Payment terms	Laws and regulations
Performance	Pearson Correlation 1 Sig. (2-tailed) N		
Payment terms	Pearson Correlation .378** Sig. (2-tailed) .001 N N 78	1	
Laws and Regulations	Pearson Correlation .684** Sig. (2-tailed) .001 N N 78	.532 .072 78	1

** . Correlation is significant at the 0.05 level (2-tailed).

Findings show that the Pearson correlation coefficient for payment terms and performance of service state corporations was (r= 0.378, p-value=0.001), correlation between procurement laws are regulations and performance of service state corporations was (r = 0.684, p-value=0.001).

Findings are in agreement with; Salima, Susela and The (2012) that payment has a significant effect on firm performance, Enofe Okuonghae, and Onobun (2015) that procurement transparency have a significant relationship with performance of state corporations,

Regression Analysis

A linear regression analysis was conducted to further explain the relationship between the dependent variable (performance) and independent variable (payment terms, organizational procurement process, procurement laws and regulations and supplier negotiation skills). The coefficient of determination shows how a statistical model is expected to predict future results. Table 5 presents the Model goodness fit.

Table 5: Model Goodness Fit

Model	R	R ²	Adjusted R ²	Std. Error of the Estimate
1	0.687	0.672	0.543	.630

Predictors: (constant) payment terms, procurement laws and regulations

Findings in Table 6 show R-square value of 0.672. This shows that 67.2% of Contribution of all independent variables on performance of service state corporations may be explained by payment terms, organizational procurement process, procurement laws and regulations and supplier negotiation skills. This means that other contract negotiation practices that this study did not focus on variation to 32.8% of performance of service state corporations.

An analysis of variance was performed on the relationship between independent variables and dependent variable. ANOVA results are presented in Table 6

Table 7: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	25.855	4	6.464	16.282	.000 ^b
Residual	28.979	73	.397		
Total	54.833	77			

Predictors: (constant) payment terms, procurement laws and regulations

Dependent variable: Performance

The ANOVA shows that the F value of 16.282 is significant at the 0.05 significance level. In general, the regression model with the four independent variables of payment terms, and procurement laws and regulations was fit in explaining the changes in performance of service state corporations .

Multiple regression shows how a change in the independent variable would predict a unit change in the dependent variable. Table 8 presents the regression coefficients.

Table 8: Regression correlation Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Constant/Y Intercept	-1.482	.488		9.186	.000
Payment terms	.370	.100	.394	3.697	.000
Laws and regulations	.671	.138	.770	4.854	.000

The following regression equation was established from the regression analysis:

$$\text{Performance} = 4.482 (Y) + 0.370 (\text{payment terms}) + 0.671 (\text{laws and regulations})$$

It was established that a change in payment terms, may cause changes in performance by a factor of 0.370, a change in procurement laws and regulations may cause changes in performance by a

factor of 0.671. The t statistics show that procurement laws and regulations had the greatest effect on performance ($t=4.854$), followed by payment terms ($t=3.697$).

Conclusion

The study shows that suppliers payment affects organization performance. The corporations has well laid out policies to be followed when making payments to suppliers. The amount to be paid to suppliers is agreed upon and signed by both parties. The payment are not affected but the cost of living but suppliers are paid as per the contract regardless of the economic status. Some of the suppliers are either down paid or overpaid. Suppliers' overpayment may happen as a result of collusion between suppliers and rogue finance officers. The finance officers inflate the figures for financial gains hence constraining organizations' financial resources. On the other hand, under payment or late payment may affect service delay as the suppliers could cut off crucial suppliers.

The state corporations have implemented procurement regulations as recommended by the government. The regulations guides the state corporations on procurement practices including adherence procurement transparency, accountability, and integrity. Adherence to the procurement laws and regulations may enhance organization performance as it may reduce funds embezzlement hence effective utilization of public funds. Some officers fail to keep correct records, which is a requirement for procurement accountability and control. To preserve openness and give an audit trail of controls, each procurement phase must be documented. The records makes it easier to refer documents in case of auditing suppliers complaints regarding order and payment of supplies.

Recommendations

The state corporations should adopt e-payment such as Electronic Fund Transfer. Utilization of e-payment will enhance level of accountability in the procurement payments. E-payment will help to keep on track the exact amount owed to every supplier hence avoiding over or under payment. E-payment also enhances convenience in procurement systems and procurement transparency.

The state corporations should adopt and maintain procurement policies as guided by the government. This will ensure that all stakeholders in the supply chain adhere to procurement rules and regulations. The policy makers in public procurement should come up with suitable organizations policies in line with the procurement requirements to enhance the performance of service state corporations.

Areas for Further Study

A study on other state corporations in Kenya

A study on procurement performance in state corporations in Kenya.

A study on procurement staff competence and performance of state corporations

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