



THE ROLE OF SERVICE AGREEMENT ON THE PERFORMANCE OF AGRICULTURAL STATE CORPORATIONS IN KENYA

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ABSTRACT

The overall objective of this study was to investigate on the role of service agreement practices on the performance of agricultural state corporations in Kenya. Specifically, this study aimed at: examining the role of service agreement planning on the performance of agricultural state corporations in Kenya; finding out the role of contract administration on the performance of agricultural state corporations in Kenya; elaborating the role of service agreement regulation on the performance of agricultural state corporations in Kenya; and determining the role of capacity building on the performance of agricultural state corporations in Kenya. The scope of the study was limited to the state-owned ventures situated in different parts of the country. Basing the research on the financial period 2018-2019, a total of 40 state corporations were examined. Open and closed ended questionnaire were distributed through drop and pick approach where all 40 target companies were given three questionnaires each to achieve a total feedback of 120. Data output, such as inferential analysis, multiple regression, and ANOVA were generated using SPSS. The response rate of the study was 80%. The findings of the study indicated that service agreement planning, contract administration; service agreement regulation and capacity building have a positive relationship with performance of agricultural state corporations in Kenya. Finally, the study recommended that public institutions should embrace service agreement best practices so as to improve performance and further researches should to be carried out in other public institutions to find out if the same results could be obtained.

Key Words: Service Agreement Planning, Contract Administration, Service Agreement Regulation, Capacity Building

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INTRODUCTION

A service agreement practice denotes a contract between individuals or enterprises where one consents to the provision of a particular amenity to the other party. Additionally, it is a legal arrangement between an employer and an employee that entails the information of the exclusive details of service. Focusing on the management of contracts, Edwards and Griffins (2016) claims that service agreement requires that providers meet the expectations of end-users, and demands the establishment of a strict line of interaction that maintains communication between the parties. As a commitment, it includes specific characteristics of services such as accountabilities, convenience, and value as stipulated in the signed contract between two entities (Nyangau, Mburu & Ogola, 2014). A service agreement legally binds both parties to ensure they fulfill the terms and conditions under the agreed obligation. Service agreement practices impact the operations of an organization, and so, affects the performance levels of entities such as corporations, businesses, firms and so on.

The achievements of ExxonMobil in the United States depend on the corporation's organizational strategies that maximize a service agreement to improve performance. Through service agreement planning, ExxonMobil identifies its commercial needs, creates plans for interdepartmental participation and signs contracts with service providers. As a consequence, the company hires professionals from different sectors who provide their experience and expertise to sustain the corporate goals. Well performing entities benefit from proper planning (Oshri, Kotlarsky & Gerbasi, 2015), and execution of service commitment as it cultivates full transparency (Basu & Bhola, 2016). Through this strategy, the company manages to establish a feedback system that enables it to regularly communicate with its service providers, especially, work teams. Planning allows the top management to identify the necessities and aims of

the primary corporate targets and hire the services of suitable professionals. As a consequence, service agreement consents to the corporations achieving their desired output through enhanced productivity levels.

In Rwanda, RwandAir uses the features of amenities pacts such as service agreement regulation to enhance the standards of industrial performance. Business commitments represent an essential part of company success as they entail factors such as procurement manuals and organizational policies that role the achievement of long-term objectives of a firm. Through these approaches, the firm enhances its production process as it improves procurement activities due to the cultivation of transparency with its service providers (Nyangau et al., 2014). Service agreement parameters allow RwandAir to protect its organizational relations since the top management easily monitors the progress of organizational pacts. The conclusion that agreement guidelines are relevant concurs to the findings of Mohammed, Mohammed and Abdullah (2016) who emphasize the use of standard procedures help companies to assess the contract-awarding progress. Following such terms and conditions permits a business to avoid various errors that hinder productivity such as the failure to notify another part about the rejection of service.

In Kenya, state corporations use service agreement, making it a significant part of business operations as it entails the quality, availability, and responsibilities of service acquired. The parties involved in a commitment, determine the success of a service provided through conducting an assessment via quantitative metrics. The process of analyzing the effectiveness of an amenity enables entities to guarantee a consistent uptime (Upadhaya et al., 2014). The different types of service offered by work teams entail sections that relate to the parties involved in the agreement. A research conducted by Edwards and Griffins (2016) agrees with this assertion and concludes that service agreement includes the

official commitment between two parties that agree to provide or buy a reliable service. Government corporations rely on the relevance of business pacts to improve efficiency and attain high production levels. Service agreements are essential, and the knowledge in them is beneficial, and so, organizations depend on them to meet administrative goals.

The forty State corporations within the Agriculture sector as shown in Appendix II are mandated to promote various agricultural activities in the county, on behalf of the government. The mandate of state-owned organizations involves the control of imports and exports, provision of essential goods and services, research into pest infestation, promotion of adequate agricultural studies, and establishing policies that cushion the country against famine and hunger (Republic of Kenya, Executive Order No. 2/2013). The national Agricultural approaches emphasize the realization of productivity and revenue expansion, notably, for small scale farmers. The government believes that this situation enhances the equitable distribution of food through the utilization of improved agricultural techniques that increase farming outputs.

Statement of the Problem

Service agreement in government corporations should ensure high productivity translating to users' satisfaction (Nyangau, Mburu, and Ogollah, 2014). Performance of the agricultural sector relies on effective contract administration and regulation practices which streamline operations; hence accomplishing needs of the stakeholders (Mwega, 2016). Gibbens et al. (2016) acknowledge that service agreement planning and delivery depend on capacity building accorded to contract administrators in an organization. Additionally, a study by Nyangau et al. (2014) and (Mwega, 2016) conclude that agricultural service agreements should be well-aligned with the corporate agenda to guarantee high output.

The main shortcoming with the Kenyan agricultural sector is that service agreements are not managed effectively leading to financial losses and poor service quality. Therefore, to mitigate these inefficiencies, a study on the impact of service agreement on the performance of this sector is warranted. In his article, Mwega (2016) articulates that farming corporations incur loss amounting to 2.4 billion annually due to poor agreement implementation. Furthermore, 56% of contracts are implemented poorly due to incompetence and non-compliance (Nyangau et al. (2014). AMREF International records the other notable area of wastefulness in state corporations as the lack of compliance with service administration and regulations leading to increased legal fees amounting to as much as 200 million in every financial period (Mwega, 2016).

In Kenya, the outcomes of non-conformity with service agreement halt the government agendas such as reducing service cost burden on the citizens. In all companies they studied, Milner and Olsen (2018) found out that, the issue was not low funding but lack of understanding of service agreement dynamics as well as inappropriate strategic intent. However, studies by Mwega (2016); Nyangau et al. (2014), and Kendrick (2016) did not delve deeper on service agreement in agricultural sectors. Due to this knowledge gap, this study sought to elaborate on the role of service agreement practices on the performance of agricultural state corporations in Kenya.

Research Objectives

The general objective of the study was to investigate the role of service agreement on the performance of agricultural state corporations in Kenya. The specific objectives were;

- To examine the role of service agreement planning on the performance of agricultural state corporations in Kenya.

- To find out the role of contract administration on the performance of agricultural state corporations in Kenya.
- To elaborate on the role of service agreement regulation on the performance of agricultural state corporations in Kenya.
- To determine the role of capacity building on the performance of agricultural state corporations in Kenya.

LITERATURE REVIEW

Planning Theory

Planning theory is an essential idea that advocates for improving the performance of an organization through the notion of service agreement planning. The theoretical framework provides aspects that emphasize the relevance of planning procedure. It describes elements of planning in normative and descriptive ways to explain the usefulness for understanding the importance of planning in solving the issues that hinder state corporations' performance (Duke, 2015). The theory dictates that companies should implement a systematic way of doing things to avoid challenges and difficulties that curtail output and productivity rates. Methodical approaches of handling issues at a firm improve performance as they enhance efficiency and offer the right direction.

In the contemporary world, the majority of state corporations do not have a clear order of carrying out essential contractual activities, leading to poor performance. The failure to implement an organized approach limits the identification of organizational needs, implementation of interdepartmental participation, or signing of contracts. To improve the productivity of state corporations, Duke (2015) explains that the top management must identify and implement policies that utilize all the company resources. The lack of planning deprives the organization income at the lowest costs. It is clear that poor corporate performance results from the

failure of top executives to create strategies that provide an orderly manner of doing things.

Transaction Cost Economics Theory

Transaction cost economics (TCE) theory is essential in contract administration within an organization. It suggests that the parties involved in a contract should abide by the terms and conditions to minimize the costs of an agreement between different entities. According to Gibbons (2010), the theoretical framework explains that the management of an organization should consider the following charges; (a) policing and enforcement, (b) bargaining, and (c) search and information. All of these elements role the performance levels of state corporations as they impact the decision-making process of firms. TCE spurs organizational performance by minimizing the prices of signing contracts by identifying hidden fees that limit the returns on investment.

Through TCE state corporations administration can advocate for internal control, risk management as well and monitoring and evaluation as elements that enhance output levels. The theory links to these aspects of contract administration as it explains the shortcomings of focusing on 'sticker prices' as opposed to the total costs of a contract. The failure to identify the overall economic demand of an agreement increases the expenditures of operation, which affects the performance levels of a parastatal.

Contract Theory

Contract theory relates to the service agreement regulations as it entails more than just the examination of legally binding contracts. It tells the law and guidelines that ensure that the parties involved in an agreement abide by the agreed rules and objectives. The framework demands that the entities in the sanction of a bond should identify the responsibilities and requirement of both parties to avoid misunderstandings (Koszegi, 2014). Confusions and errors regarding a contract ensure that the obligations remain unfulfilled, affecting the

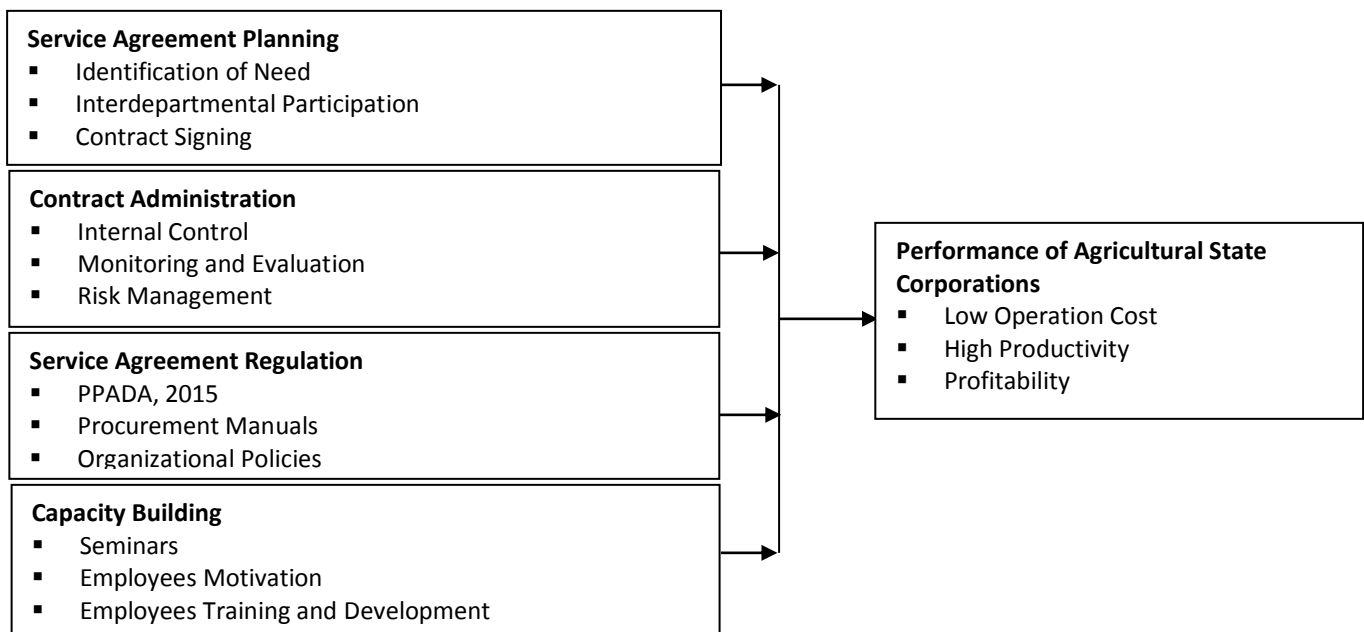
performance of the entities in the agreement. Consequently, the output of an organization relies on the fulfillment of the contractual demands of the contracted individuals.

In the corporate arena, organizations use the following aspects; PPADA 2015, procurement manuals, and organizational policies to improve the performance levels. Through regulations, the contracted parties abide by the terms and conditions of a bond to ease the process of enforceability. Majority of the contracts are done in writing by the interested parties to enhance success; however, some of the parties ignore the stipulations of regulations that govern business agreements (Koszegi, 2014). The elements of service agreement regulations pressurize all the involved entities to fulfill their obligations to avoid misunderstandings. The codes of practices enhance state corporations performance by routinely checking the contract to determine the progress of the bond.

Change Theory

Change theory identifies principles that can allow an organization to improve the performance of employees through the use of the capacity building. The model provides conventions that enable parties involved in a contract agreement to engage in activities that allow employees to gain insights into the desired goal. It explains the significance of a change in a given context in enhancing the productivity levels of specific individuals, especially, the employees of the contracted parties (Luka, 2016). Work teams play a crucial role in ensuring that a company meets its contractual obligations as they help in the achievement of the desired goals and objectives.

The theory of change emphasizes the various elements of the capacity building such as seminars, employee motivation as well as workforce training and development, which create the culture of teamwork. It lets state corporations to focus on the incorporation of new organizational conduct that entails the change of employee attitude and work policies.



Independent Variables

Dependent Variable

Figure 1: Conceptual Framework

Empirical Review

A survey by Elianna et al. (2015) concludes for an organization to enhance its efficiency levels; it is essential that it adopts the service agreement practices to manage its contractual obligations. The research dictates that top managers have to recognize the importance of capacity building, service agreement regulations, service agreement planning, and contract administration. According to Duke (2015), all of these provisions allow corporations to minimize the violations of contract, which creates misunderstandings, affecting the performance levels of organizations. It is the responsibility of the executive to ensure that they incorporate policies and strategies that will ensure contracted entities focus on the attainment of the desired objectives.

Majority of state-owned enterprises heighten efficiency levels through the application of the service agreement practices that guarantee the achievement of anticipated aims and objectives. The lack of these strategies exposes contracted entities to deal violations since some of the parties feel less obligated to fulfill the promised demands. Duke (2015) identifies the approach of service agreement entails regulations, planning, capacity building, and contract administration, which allow entities to meet the demands of business treaties. The appreciation of these elements permits government-led enterprises to understand the complexities of business contracts that limit the output of an organization.

According to Gibbons (2010), contract administrations practices, notably, risk management, internal control, as well as monitoring and evaluation, stimulate the efficiency of a government-owned entity. Contracts are intricate and complex; as a consequence, they demand that contracted parties emphasize the importance of achieving the expected goals. In their study, Mutonyi et al. (2016) concurs with these conclusions and postulates that this situation requires that companies use contract administration practices to supervision the business

settlements made by a firm with other entities. The researchers suggest that corporations should modify their approach as well as the management of contracts through adopting the principles of contract administration.

Investigating the role of contracts, Norman-Major (2012) concludes that evaluation, management of risks, and internal control role the cost, productivity, and user contentment levels. The evolution of contractual requirements and conduct has changed the dimensions and specifications of commercial agreements. Ochieng, Veettil, and Qaim (2017) support this argument, and postulate that to enhance efficiency; organizations have to acknowledge the changes in the ratification of contracts. For that reason, top managers have to update their conduct with the modern-day contract administration practices to minimize misinterpretations, but also enhance efficiency and productivity. Consequently, organizations should strive to improve output levels through the implementation of treaty management practices.

Service agreement regulations such as PPADA 2015, procurement manuals, and organizational policies enhance the efficiency of a parastatal. Contractual decisions and ratification processes role the activities of business since they introduce a new way of conducting commercial operations. For instance, through the contractual rules and regulation, notably, PPADA 2015 state corporations make tactical and strategic decisions on contracts. In their study, Elbanna et al. (2016) provides different opinions on the role of regulations on business agreements and concludes that many organizations suffer or succeed as a result of complex rules. It is clear the laws governing the conduct of contracted individuals or entities role the effectiveness of corporate treaties.

Ochieng et al., (2016) suggests that service agreement regulations guarantee that all the parties adhere to the contractual obligations. The fulfillment

of contractual obligations enhances the performance of a parastatal that results in the reduction of costs but also increases productivity and user satisfaction. Research by Waigwa and Njeru (2016) concludes that regulations lead to the optimization of expected outcomes through contract agreements that enable organizations to fulfill their agreed obligations. The adherence to the guideline ensures that contracted parties endeavor to satisfy the expectations of the other parties increasing performance levels.

According to Marsh and Farrell (2015) to improve the efficiency of a firm, then it is imperative that the involved parties adopt capacity building measures. The various strategies that include seminars and employee motivation let the entities tangled to fulfill the contractual objectives and attain the desired outcomes. Mwambi *et al.*, (2016) postulate that work teams' inspiration relies on companies allowing employees to be part of the contract signing and execution processes. Further, he states that this element as an investment improves the efficiency and sustainability of business obligations. As a result, capacity building motivates workers into meeting the duties of contractual settlements.

A study by Wachira et al. (2016) postulates that incorporation of capacity building in business operations impacts the productivity of contracted firms. Majority of the organizations motivate employees through seminars and other programs that support the implementation of contractual responsibilities to mitigate the effects of the constant changes in contract stipulation. This argument is supported by Waigwa and Njeru (2016), who explains that organizations enhance performance through capacity building initiatives. The use of extra-organizational functions such as employee training and development fully optimizes the efforts of workforces to fulfill contractual duties.

METHODOLOGY

This study used a descriptive research design, where data was collected from the population in a particular time period to examine the relation between the variables of interest. The target population of this study was 40 state corporations within the agricultural sectors in Kenya which formed the unit of analysis. Since this research was based on collecting and analyzing primary data, the primary data collecting tool was a questionnaire. Primary data was attained from State Corporations within the agricultural sector in Kenya. Qualitative data was analyzed using content analysis. Quantitative data was analyzed using descriptive statistics such as Inferential Analysis, Standard Deviation (STD), and ANOVA. Multiple regression analysis was used to determine the level of statistical significance, the effect or level of role of the independent variables on the dependent variable. These analyses were done using Statistical Package for Social Science Version 20 (SPSS. V, 20) since it enabled the researcher to produce frequency tables, inferential statistics, and regression analysis.

RESULTS

Descriptive Statistics

The study set out to establish the role of service agreement on performance of agricultural state corporations in Kenya. To this end, four variables were conceptualized as components of service agreement on performance of agricultural state corporations in Kenya. These include; service agreement planning, contract administration, service agreement regulation and capacity building.

Service Agreement Planning

The first objective of the study was to assess the role of service agreement planning on performance of agricultural state corporations in Kenya. The respondents were asked to indicate to what extent did service agreement planning play a role on performance of agricultural state corporations in

Kenya. Results indicated that majority of the respondents 25% agreed that it was to a very great extent, 27% said that it was to a great extent, 35% said it was moderate, while little extent and not all were at 5 and 8% respectively.

The respondents were also asked to comment on statements regarding service agreement planning role on performance of agricultural state corporations in Kenya. The responses were rated on a likert scale and the results presented in Table 1 below. It was rated on a 5 point Likert scale ranging from; 1 = strongly disagree to 5 = strongly agree. The scores of 'strongly disagree' and 'disagree' have been taken to represent a statement not agreed upon, equivalent to mean score of 0 to 2.5. The score of 'neutral' has been taken to represent a statement agreed upon, equivalent to a mean score of 2.6 to 3.4. The score of 'agree' and 'strongly agree' have been taken to represent a statement highly agreed upon equivalent to a mean score of 3.5 to 5.

The respondents were asked to indicate their descriptive responses for service agreement planning. The result revealed that majority of the respondent with a mean of (4.3) agreed with the statement that Identification of need plays a significant role in low operation cost. The measure of dispersion around the mean of the statements was 1 indicating the responses were varied. The result revealed that majority of the respondent with a mean of (3.6) agreed with the statement that Interdepartmental participation plays a significant role in low operation cost. The measure of dispersion around the mean of the statements was 1.4 indicating the responses were varied. The result revealed that majority of the respondent with a mean of (3.8) agreed with the statement that Contract signing plays a significant role in low operation cost. The measure of dispersion around the mean of the statements was 1.3 indicating the responses were varied.

The result revealed that majority of the respondent with a mean of (3.0) agreed with the statement that Identification of need plays a significant role in attaining higher productivity. The measure of dispersion around the mean of the statements was 1.4 indicating the responses were varied. The result revealed that majority of the respondent with a mean of (4.2) agreed with the statement that Interdepartmental participation plays a significant role in attaining higher productivity. The measure of dispersion around the mean of the statements was 1 indicating the responses were varied. The result revealed that majority of the respondent with a mean of (3.7) agreed with the statement that Contract signing plays a significant role in attaining higher productivity. The measure of dispersion around the mean of the statements was 1 indicating the responses were varied.

The result revealed that majority of the respondent with a mean of (3.4) agreed with the statement that Identification of need plays a significant role in attaining profitability. The measure of dispersion around the mean of the statements was 1.3 indicating the responses were varied. The result revealed that majority of the respondent with a mean of (3.8) agreed with the statement that Interdepartmental participation plays a significant role in attaining profitability. The measure of dispersion around the mean of the statements was 1.2 indicating the responses were varied. The result revealed that majority of the respondent with a mean of (3.8) agreed with the statement that Contract signing plays a significant role in attaining profitability. The measure of dispersion around the mean of the statements was 1.2 indicating the responses were varied.

However, the variations in the responses were varied as shown by an average standard deviation of 1.5 and an average mean of 3.8. These findings imply that service agreement planning is at the heart of the organizations. The findings agree with Knudsen

(2015) that using service agreement planning in procurement is a smart move and can reduce expenses significantly.

Table 1: Service Agreement Planning

Statements	N	Mean	Std. Deviation
Identification of need plays a significant role in low operation cost	96	4.3	1.0
Interdepartmental participation plays a significant role in low operation cost	96	3.6	1.4
Contract signing plays a significant role in low operation cost	96	3.8	1.3
Identification of need plays a significant role in attaining higher productivity	96	3.0	1.4
Interdepartmental participation plays a significant role in attaining higher productivity	96	4.2	1.0
Contract signing plays a significant role in attaining higher productivity	96	3.7	0.5
Identification of need plays a significant role in attaining profitability	96	3.4	1.3
Interdepartmental participation plays a significant role in attaining profitability	96	4.1	4.3
Contract signing plays a significant role in attaining profitability	96	3.8	1.2
Average	96	3.8	1.5

Contract Administration

The second objective of the study was to investigate the role of contract administration on performance of agricultural state corporations in Kenya. The respondents were asked to indicate to what extent did contract administration play a role on performance of agricultural state corporations in Kenya. Results indicated that majority of the respondents 31% agreed that it was to a very great extent, 36% said that it was to a great extent, 23% said it was moderate, while little extent and not all tied at 5%.

The respondents were also asked to comment on statements regarding contract administration role on performance of agricultural state corporations in Kenya. The respondents were asked to indicate descriptive responses for contract administration.

The results revealed that majority of the respondents as indicated by a mean of (3.8) indicated that they agreed with the statement that Internal control plays a significant role in low operation cost. The responses were varied as measured by standard

deviation of 1.1. The result revealed that majority of the respondents as indicated by a mean of (3.6) indicated that they agreed with the statement that Monitoring and evaluation plays a significant role in low operation cost. The responses were varied as measured by standard deviation of 1.1. The result revealed that majority of the respondents as indicated by a mean of (3.7) indicated that they agreed with the statement that Risk management plays a significant role in low operation cost. The responses were varied as measured by standard deviation of 1.1

The result revealed that majority of the respondents as indicated by a mean of (3.6) indicated that they agreed with the statement that internal control plays a significant role in attaining higher productivity. The responses were varied as measured by standard deviation of 1.2. The result revealed that majority of the respondents as indicated by a mean of (3.6) indicated that they agreed with the statement that Monitoring and evaluation plays a significant role in attaining higher productivity. The responses were varied as measured by standard deviation of

1.2. The result revealed that majority of the respondents as indicated by a mean of (3.5) indicated that they agreed with the statement that Risk management plays a significant role in attaining higher productivity. The responses were varied as measured by standard deviation of 1.4.

The result revealed that majority of the respondents as indicated by a mean of (3.5) indicated that they agreed with the statement that Internal control plays a significant role in attaining profitability. The responses were varied as measured by standard deviation of 1.4. The result revealed that majority of the respondents as indicated by a mean of (3.3) indicated that they agreed with the statement that Monitoring and evaluation plays a significant role in attaining profitability. The responses were varied as measured by standard deviation of 1.5. The result revealed that majority of the respondents as

indicated by a mean of (3.6) indicated that they agreed with the statement that Risk management plays a significant role in attaining profitability. The responses were varied as measured by standard deviation of 0.5.

However the variations in the responses were varied as shown by an average standard deviation of 1.2 and an average mean of 3.6. This means that contract administration is an important aspect across the state corporations. These findings implied that contract administration is taken seriously by the agricultural state corporations. They agreed with Lysons (2013) that organizations must look toward their contract administration for improvements. The opportunities for cost savings and operational improvements can be enormous as the impact on profitability is considerable.

Table 2: Contract Administration

Statements	N	Mean	Std. Deviation
Internal control plays a significant role in low operation cost	96	3.8	1.1
Monitoring and evaluation plays a significant role in low operation cost	96	3.6	1.1
Risk management plays a significant role in low operation cost	96	3.7	1.1
Internal control plays a significant role in attaining higher productivity	96	3.5	1.2
Monitoring and evaluation plays a significant role in attaining higher productivity	96	3.8	1.2
Risk management plays a significant role in attaining higher productivity	96	3.5	1.4
Internal control plays a significant role in attaining profitability	96	3.5	1.4
Monitoring and evaluation plays a significant role in attaining profitability	96	3.3	1.5
Risk management plays a significant role in attaining profitability	96	3.6	0.5
Average	96	3.6	1.2

Service Agreement Regulation

There was also need to establish how service agreement regulation plays a role in performance of agricultural state corporations in Kenya as the third objective. The respondents were asked to comment on extent of service agreement regulation role performance of agricultural state corporations. Results indicated that majority of the respondents

21% agreed that it was to a very great extent, 22% said that it was to a great extent, 21% said it was moderate; little extent was 28% and not all at 8%.

The respondents were asked to indicate their levels of agreement on statements regarding service agreement regulation. The results revealed that majority of the respondent (3.9) agreed with the statement that PPADA 2015 plays a significant role

in low operation cost. The responses were varied as shown by the standard deviation of 1.2. The results revealed that majority of the respondent (3.2) agreed with the statement that Procurement manuals play a significant role in low operation cost. The responses were varied as shown by the standard deviation of 1.3. The results revealed that majority of the respondent (4.0) agreed with the statement that Organizational policies play a significant role in low operation cost. The responses were varied as shown by the standard deviation of .8.

The results revealed that majority of the respondent (4.2) agreed with the statement that PPADA 2015 plays a significant role in attaining higher productivity. The responses were varied as shown by the standard deviation of .9. The results revealed that majority of the respondent (3.7) agreed with the statement that Procurement manuals play a significant role in attaining higher productivity. The responses were varied as shown by the standard deviation of .5. The results revealed that majority of the respondent (2.4) agreed with the statement that Organizational policies play a significant role in attaining higher productivity. The responses were varied as shown by the standard deviation of 1.3.

The results revealed that majority of the respondent (3.1) agreed with the statement that PPADA 2015 plays a significant role in attaining profitability. The responses were varied as shown by the standard deviation of 1.2. The results revealed that majority of the respondent (3.2) agreed with the statement that Procurement manuals play a significant role in attaining profitability. The responses were varied as shown by the standard deviation of 1.3. The results revealed that majority of the respondent (3.5) agreed with the statement that Organizational policies play a significant role in attaining profitability. The responses were varied as shown by the standard deviation of 1.3.

The average mean of all the statements was 3.7 indicating that majority of the respondents agreed on service agreement regulation role on performance of these state corporations in Kenya. However, the variations in the responses were varied as shown by a standard deviation of 1.1. These findings imply that through service agreement regulation, companies can improve competitive positioning, gain entry to new dynamic and technology driven markets (Maina, 2008).

Table 3: Service Agreement Regulation

Statements	N	Mean	Std. Deviation
PPADA 2015 plays a significant role in low operation cost	96	3.9	1.2
Procurement manuals play a significant role in low operation cost	96	3.2	1.3
Organizational policies play a significant role in low operation cost	96	4.0	0.8
PPADA 2015 plays a significant role in attaining higher productivity	96	4.2	0.9
Procurement manuals play a significant role in attaining higher productivity	96	3.7	0.5
Organizational policies play a significant role in attaining higher productivity	96	2.4	1.3
PPADA 2015 plays a significant role in attaining profitability	96	3.1	1.2
Procurement manuals play a significant role in attaining profitability	96	3.2	1.3
Organizational policies play a significant role in attaining profitability	96	3.5	1.3
Average	96	3.7	1.1

Capacity Building

There was also need to establish how capacity building play a role in performance of agricultural state corporations . The respondents were also asked to comment on statements regarding capacity building role on performance of agricultural state corporations. Results also showed that 3% of respondents indicated to very great extent, great extent was at 12%, moderate extent was 37%, while little extent was at 27% and not at all was at 21%.

The respondents were asked to indicate the descriptive responses for capacity building. The result revealed that majority of the respondent (3.2) agreed with the statement that Seminars play a significant role in low operation cost. The responses were varied as shown by a standard deviation of 1.3. The result revealed that majority of the respondent (3.2) agreed with the statement that Employee motivation plays a significant role in low operation cost. The responses were varied as shown by a standard deviation of 1. The result revealed that majority of the respondent (4.3) agreed with the statement that Employees training and development plays a significant role in low operation cost. The responses were varied as shown by a standard deviation of 1.

The result revealed that majority of the respondent (4.2) agreed with the statement that Seminars play a significant role in attaining higher productivity. The responses were varied as shown by a standard deviation of 0.8. The result revealed that majority of

the respondent (4.1) agreed with the statement that Employee motivation plays a significant role in attaining higher productivity. The responses were varied as shown by a standard deviation of 1. The result revealed that majority of the respondent (4.2) agreed with the statement that Employees training and development plays a significant role in attaining higher productivity. The responses were varied as shown by a standard deviation of 0.8

The result revealed that majority of the respondent (4.4) agreed with the statement that Seminars play a significant role in attaining profitability. The responses were varied as shown by a standard deviation of 0.6. The result revealed that majority of the respondent (4.4) agreed with the statement that Employee motivation plays a significant role in attaining profitability. The responses were varied as shown by a standard deviation of 0.6. The result revealed that majority of the respondent (4.4) agreed with the statement that Employees training and development plays a significant role in attaining profitability. The responses were varied as shown by a standard deviation of 0.7.

The average mean response for the statements on capacity building was 4.4 indicating there was agreement on capacity building, the variations in the responses was 0.9. This means capacity building is paramount in all the state corporations. The results imply that an organization benefits greatly when capacity building is embraced to reduce costs (Bird, 2009).

Table 4: Capacity Building

Statements	N	Mean	Std. Deviation
Seminars play a significant role in low operation cost	96	3.2	1.3
Employee motivation plays a significant role in low operation cost	96	2.9	1.0
Employees training and development plays a significant role in low operation cost	96	4.3	0.9
Seminars play a significant role in attaining higher productivity	96	4.3	0.9
Employee motivation plays a significant role in attaining higher productivity	96	4.1	1.0
Employees training and development plays a significant role in attaining	96	4.2	0.8

higher productivity

Seminars play a significant role in attaining profitability	96	4.4	0.6
Employee motivation plays a significant role in attaining profitability	96	4.4	0.7
Employees training and development plays a significant role in attaining profitability	96	4.4	0.6
Average	96	4.4	0.9

Correlation Analysis

Correlation analysis was used to determine both the significance and degree of association of the variables

and also predict the level of variation in the dependent variable caused by the independent variables in table 5:

Table 5: Summary of Pearson's Correlations

Correlations		Service Agreement Planning	Contract Administration	Capacity Building	Service Agreement Regulation	Performance of Agricultural State Corporations in Kenya
Service Agreement Planning	Pearson Correlation	1				
	Sig. (2-Tailed)					
Contract Administration	Pearson Correlation	.372**	1			
	Sig. (2-Tailed)	0				
Capacity Building	Pearson Correlation	.353**	.449**	1		
	Sig. (2-Tailed)	0	0			
Service Agreement Regulation	Pearson Correlation	.363**	.771**	.547**	1	
	Sig. (2-Tailed)	0	0	0		
Performance of Agricultural State Corporations in Kenya	Pearson Correlation	.556**	.662**	.703**	.691**	1
	Sig. (2-Tailed)	0	0	0	0	

** Correlation is Significant at the 0.05 Level (2-Tailed).

The correlation summary shown in Table 5 indicated that the associations between each of the independent variables and the dependent variable

were all significant at the 95% confidence level. The correlation analysis to determine the relationship between service agreement planning and

performance of agricultural state corporations in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there was a positive relationship ($r=0.556$) between service agreement planning and performance of agricultural state corporations in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ($p=0.000, <0.05$).

The correlation analysis to determine the relationship between contract administration and performance of agricultural state corporations in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicated that there was a positive relationship ($r=0.662$) between contract administration and performance of agricultural state corporations in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ($p=0.000, <0.05$).

The correlation analysis to determine the relationship between service agreement regulation and performance of agricultural state corporations in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there was a positive relationship ($r=0.703$) between service agreement regulation and performance of agricultural state corporations in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ($p=0.000, <0.05$).

The correlation analysis to determine the relationship between capacity building and performance of agricultural state corporations in Kenya, Pearson correlation coefficient computed and tested at 5% significance level. The results indicate that there was a positive relationship ($r=.691$) between capacity building and performance of agricultural state corporations in Kenya. In addition, the researcher found the relationship to be statistically significant at 5% level ($p=0.000, <0.05$). Hence, it was evident that all the independent variables could explain the changes in the performance of agricultural state corporations in Kenya, on the basis of the correlation analysis.

Regression Analysis

The results of regression analysis revealed there was a significant positive relationship between dependent variable and the independent variable. The independent variables reported R value of 0.846 indicating that there was perfect relationship between dependent variable and independent variables. R square value of 0.715 means that 71.5% of the corresponding variation in performance of agricultural state corporations in Kenya can be explained or predicted by (service agreement planning, contract administration, service agreement regulation, capacity building) which indicated that the model fitted the study data. The results of regression analysis revealed that there was a significant positive relationship between dependent variable and independent variable at ($\beta = 0.715$), $p=0.000 <0.05$).

Table 6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.846 ^a	.715	.703	.14869

a) Predictors: (Constant), Service Agreement Planning, Contract Administration, Service Agreement Regulation, Capacity Building

b) Dependent Variable: Performance of Agricultural State Corporations

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.002	4	1.251	56.562	.000 ^b
	Residual	1.99	91	0.022		
	Total	6.992	95			

a) Predictors: (Constant), Service Agreement Planning, Contract Administration, Service Agreement Regulation, Capacity Building

b) Dependent Variable: Performance of Agricultural State Corporations

Table 8: Coefficients of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.07	0.193		10.725	0.000
	Service Agreement Planning	0.166	0.041	0.255	4.048	0.000
	Contract Administration	0.138	0.053	0.235	2.603	0.01
	Capacity Building	0.119	0.021	0.398	5.667	0.000
	Service Agreement Regulation	0.09	0.043	0.201	2.093	0.037

a) Predictors: (Constant), Service Agreement Planning, Contract Administration, Service Agreement Regulation, Capacity Building

b) Dependent Variable: Performance of Agricultural State Corporations

The research used a multiple regression model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$$

The regression equation will be;

$$Y = 2.07 + 0.166X_1 + 0.138X_2 + 0.119X_3 + 0.09X_4$$

The regression equation above established that taking all factors into account (service agreement regulation, service agreement planning, capacity building and contract administration) constant at zero, performance of agricultural state corporations in Kenya will be an index of 2.07. The findings presented also shows that taking all other independent variables at zero, a unit increase in service agreement planning will lead to a 0.166 increase in performance of agricultural state corporations. The P-value was 0.000 which is less 0.05 and thus the relationship was significant.

The study also found that a unit increase in contract administration would lead to a 0.138 increase in performance of agricultural state corporations in

Kenya. The P-value was 0.00 and thus the relationship was significant. In addition, the study found that a unit increase in capacity building would lead to a 0.119 increase in the performance of agricultural state corporations in Kenya. The P-value was 0.000 and thus the relationship was significant.

Lastly, the study found that a unit increase in service agreement regulation would lead to a 0.09 increase in the performance of agricultural state corporations in Kenya. The P-value was 0.00 and hence the relationship was significant since the p-value was lower than 0.05. The findings of the study show that, service agreement planning contributed most to performance of agricultural state corporations in Kenya.

CONCLUSION

Based on the study findings, the study concluded that performance of agricultural state corporations can be

improved by service agreement planning, contract administration, service agreement regulation and capacity building.

First, in regard to service agreement planning, the regression coefficients of the study showed that it has a significant role of 0.166 on performance of agricultural state corporations. This implied that increasing levels of service agreement planning by a unit would increase the levels of performance of agricultural state corporations by 0.166. This shows that service agreement planning has a positive role on performance of agricultural state corporations.

Second in regard to contract administration, the regression coefficients of the study showed that it has a significant role of 0.138 on performance of agricultural state corporations. This implied that increasing levels of contract administration by a unit would increase the levels of performance of agricultural state corporations by 0.138. This shows that contract administration has a positive role on performance of agricultural state corporations.

With regard to capacity building, the regression coefficients of the study showed that it has a significant role of 0.119 on performance of agricultural state corporations. This implied that increasing levels of capacity building by a unit would increase the levels of performance of agricultural state corporations by 0.119. This showed that capacity building has a positive role on performance of agricultural state corporations.

Lastly, in regard to the fourth objective, the regression coefficients of the study showed that it has a significant role of 0.09 on performance of agricultural state corporations. This implied that increasing levels of service agreement regulation by a unit would increase the levels of performance of agricultural state corporations by 0.09. This shows that service agreement regulation have a positive role on performance of agricultural state corporations.

Drawing on this research, lack of service agreement planning, contract administration, service agreement regulation and capacity building in agricultural state

corporations is leading to poor performance. Though the agricultural state corporations are striving hard to improve their performance there are still issues of poor quality products, long lead time and high cost of projects/products. It was articulated that the current phenomenon of poor performance in the public sector can be reversed if the government and other stakeholders ensure service agreement planning, contract administration, service agreement regulation and capacity building are embraced in the procurement function. Thus, it is evident that all the independent variables identified in this study were all important service agreement aspects that play a role on the performance of agricultural state corporations.

RECOMMENDATIONS

To ensure that agricultural state corporations have better performance they should focus more on using their service agreement planning so as to help in ascertaining the needs as and when required, ensure that there is consistency of quality in goods supplied. In the same regard, they should involve suppliers early enough to enable them to meet needs appropriately.

With regard to the second objective, it would be constructive for agricultural state corporations to invest more in contract administration to reduce the cost of procurement through unnecessary reworks and ensure professional suppliers get it right the first time. This should be done consistently with financial capacity ascertainment and supplier quality indexing.

In relation to service agreement regulation, the organizations should embrace procurement manuals and organizational policies while dealing with their vendors so as to have a more improved and prompt response to situations. If agricultural state corporations embrace service agreement regulation while dealing with their suppliers, then there will be cost reduction and timing of delivery will improve.

Concerning capacity building, there is need for agricultural state corporations to always set aside a

substantial part of their resources for activities that spend a huge amount of total resources, and this entails the capacity building. This is because decisions made here have major effects on the rest of the procurement process. In the same regard, they should embrace seminars and training to enable them to come up with cost efficient strategies that enable them empower sustainably.

The study recommended that procurement staff in the agricultural state corporations should ensure that they strictly follow procurement procedures to ensure that goods supplied are of the right quality, in the right quantity, at the right time, to the right place from the right source. This will aim at satisfaction of customers in terms of cost, quality, and timeliness of the delivered product or service, minimizing administrative operating costs.

Areas for Further Research

The study is a milestone for further research in the field of performance of agricultural state corporations in Africa and particularly in Kenya. The findings demonstrated the important service agreement aspects of performance of agricultural state corporations to include; service agreement planning, contract administration, service agreement regulation and capacity building. The current study obtained an R^2 of 71.5% and should therefore be expanded further in future in order to include other service agreement aspects that may as well have a positive significance to performance of agricultural state corporations. Existing literature indicates that as a future avenue of research, there is need to undertake similar research in other institutions and public sector organizations in Kenya and other countries in order to establish whether the explored service agreement aspects herein can be generalized to affect performance in other public institutions.

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