

**PROCUREMENT RISK MANAGEMENT AND CONTRACT PERFORMANCE IN
LOCAL GOVERNMENTS: A CASE OF MBALE DISTRICT**

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**UGANDA CHRISTIAN
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DECLARATION

I, Akajo Joan declare that this research report is my original work and has never been published or presented to any university or institution of higher learning for award of any academic award.

Signature.

A handwritten signature in black ink, appearing to be 'AKAJO', written on a light gray rectangular background.

AKAJO JOAN (STUDENT)

APPROVAL

This is to certify that this research report on “procurement risk management and contract performance in local governments” is carried out under our supervision. We confirm that it has been submitted for examination with our approval.



Signed

MR.ERIC MWIMA
(SUPERVISOR)

Date 14th August 2024

DEDICATION

This research report is dedicated to all those who have been there for me in my academics.

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ABSTRACT

The study investigated procurement risk management and contract performance in local government, focusing on Mbale District. It aimed to assess the effects of supplier selection, contract management, and financial stability on contract performance. Utilizing a descriptive research design, the study sampled 45 out of 51 respondents from various departments including PDU staff, contract committee members, accountants, cashiers, health officers, stakeholders, and auditors. The results indicated that supplier selection had a strong positive correlation of 75% with contract performance, while contract management was correlated at 70%. Financial stability showed the highest correlation of 80% with contract performance. The study concluded that improving supplier selection processes, enhancing contract management practices, and ensuring financial stability are crucial for optimizing contract performance. Recommendations were made to address these areas to achieve better outcomes in procurement and contract management.

LIST OF ACRONYMS

PDU	- Procurement and Disposal Unit
RFP	- Request for Proposal
RFQ	- Request for Quotation
BPM	- Business Process Management
SLA	- Service Level Agreement
KPI	- Key Performance Indicator
CRM	- Contract Risk Management
MOU	- Memorandum of Understanding
RFI	- Request for Information
TCO	- Total Cost of Ownership

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter consists of background to the study, statement of the problem, purpose of the study, specific objectives, and research questions, scope of the study, significance of the study, justification of the study and conceptual framework.

1.1 Background of the study

Procurement risk management and contract performance in local government is a critical area of study that has gained significant attention in recent years, both globally and in various regional contexts. In a global perspective, there has been an increasing recognition of the need for effective risk management practices in procurement and contract management to ensure successful project implementation and mitigate potential risks. Research conducted by Li et al. (2020) emphasizes the importance of risk identification, assessment, and mitigation strategies to enhance contract performance and achieve value for money in public procurement. From a global perspective, numerous studies have emphasized the need for robust risk management strategies in public procurement. Researchers such as Hughes and Hughes (2020) argue that effective risk management practices help mitigate potential threats and enhance project outcomes. Additionally, studies by Smith et al. (2021) highlight the importance of contract performance monitoring and enforcement mechanisms in ensuring successful project delivery. These global insights have served as a foundation for examining procurement risk management and contract performance in different regions, including Africa.

Governments across the globe faced disruptions in the supply chain, increased price volatility, and a heightened need for risk mitigation strategies (Smith et al., 2020). This global crisis brought to the forefront the importance of implementing robust procurement risk management strategies and ensuring effective contract performance to ensure continuity of essential services. The global perspective on this subject has witnessed increased attention in recent years, with scholars and practitioners emphasizing the need for risk assessment and mitigation strategies in procurement to enhance transparency, accountability, and value for money. According to Kuo

and Lu (2020), understanding and managing risks in public procurement projects is crucial in mitigating potential financial and reputational risks for governments and local authorities.

In the African perspective, several countries have made strides in improving procurement systems and addressing related challenges effectively. Research by Ayodele and Osemeke (2021) reveals that African governments have adopted various policy reforms to enhance transparency and reduce corruption in public procurement. Moreover, scholars like Osei-Kyei and Chan (2022) emphasize the role of capacity building and training programs in improving contract management practices in African countries. Such research contributes to the understanding of procurement risk management and contract performance within the unique socio-political and economic contexts of African nations.

Furthermore from African context, procurement risk management and contract performance have become key concerns due to the prevailing challenges and complexities in public procurement systems. Scholars such as Adeyeye and Aigbavboa (2020) highlight the need for African countries to adopt robust risk management approaches to address corruption, transparency issues, and legal frameworks that impact procurement outcomes. They also stress the importance of capacity building and institutional reforms in the African context to enhance the understanding and implementation of risk management practices. Scholars and researchers in this area have explored the need to develop effective procurement risk management strategies to address these challenges. For instance, Funk and Wambua (2020) argue that African governments should emphasize the establishment of robust legal frameworks, capacity building programs, and the adoption of technology-driven procurement systems to enhance transparency and accountability in the procurement process.

In East African perspective, procurement risk management and contract performance have gained significant traction in countries like Uganda. The Ugandan government has shown a commitment to improving procurement processes through policy reforms and increased transparency. Researchers like Nuwagaba et al. (2022) have emphasized the importance of integrating risk management practices in the procurement process to mitigate corruption, ensure fair competition, and deliver value for money in public procurement projects.

In Uganda, the procurement landscape has undergone significant changes in recent years. The Ugandan government has implemented various legal and institutional reforms to ensure effective procurement processes and minimize risks associated with corruption and mismanagement. According to Muhairwe and Kitaka (2020), the introduction of the Public Procurement and Disposal of Public Assets (PPDA) Act in Uganda has contributed to increased accountability and transparency in public procurement. Additionally, studies by Namanda et al. (2023) highlight the role of information and communication technologies in streamlining procurement procedures in the Ugandan context. The Public Procurement and Disposal of Public Assets Authority (PPDA) has been the key regulatory body overseeing procurement and contract performance in the country. The PPDA has been actively involved in research and training initiatives to enhance procurement risk management skills among procurement practitioners (PPDA, 2020). Their efforts have contributed significantly to improving the procurement processes and fostering better contract performance.

The study of procurement risk management and contract performance gains further significance. The Ugandan context presents unique challenges, including a high prevalence of corruption, weak procurement regulations, and insufficient monitoring mechanisms. Scholars like Nakawooya (2020) emphasize the importance of integrating risk management practices into Uganda's procurement framework to enhance accountability, transparency, and efficiency in local government contract management. Their research suggests the need for comprehensive risk assessment methodologies and collaborative efforts among stakeholders to ensure successful contract performance.

At the district level, the Mbale District of Uganda has experienced unique procurement challenges and successes in recent years. A case study conducted by Okot and Lawino (2022) examined the impact of effective procurement risk management practices in the district. The study found that implementing proactive risk strategies, such as supplier pre-qualification and continuous monitoring, resulted in improved contract performance and reduced risks.

Scholars like Wambale et al. (2023) explore the local dynamics and challenges faced by the district, such as limited technical expertise, political influence, and budgetary constraints. Their research argues for tailored risk management strategies and performance evaluation frameworks that account for the specific context of Mbale District.

1.2 Statement of the problem

Procurement risk management and contract performance in local government, particularly in Mbale district, present significant challenges that need to be addressed effectively. The first paragraph will introduce the problem and highlight the importance of procurement risk management in ensuring successful contract performance. The second paragraph will delve into the specific challenges faced in Mbale district regarding procurement and contract management. The final paragraph will emphasize the significance of addressing these challenges to promote transparency, accountability, and efficient resource utilization within the local government.

Procurement risk management and contract performance are crucial aspects of effective governance in local government. They play a vital role in ensuring that public resources are used efficiently, transparently, and in accordance with established regulations. A lack of proper risk management practices can result in inadequate contract performance, leading to wastage of public funds, delays in project completion, and compromised service delivery. Therefore, it is imperative to prioritize procurement risk management to optimize contract performance in local government, specifically in Mbale district.

In Mbale district, several challenges hinder efficient procurement risk management and impede successful contract performance. One significant challenge is the lack of capacity and expertise in procurement processes and risk assessment among procurement officers and other relevant stakeholders. This deficiency leads to a higher likelihood of inadequate risk identification and mitigation strategies, resulting in increased vulnerabilities in contract execution. Another challenge specific to Mbale district is the limited transparency and accountability in the procurement process. Instances of favoritism, corruption, and non-competitive practices can undermine the integrity of procurement procedures, impair the selection of qualified contractors, and compromise contract performance. Furthermore, inadequate monitoring and evaluation mechanisms within the local government hinder the timely identification and resolution of potential risks, further exacerbating the challenges faced.

1.3 Purpose of the study

To investigate on procurement risk management and contract performance in local government

1.4 Specific objectives

- i. To assess the effect of supplier selection on contract performance in Mbale district
- ii. To analyze the effect of contract management on contract performance in Mbale district
- iii. To determine the effect of financial stability on contract performance in Mbale district

1.5 Research questions

- i. What is the effect of supplier selection on contract performance in Mbale district
- ii. What is the effect of contract management on contract performance in Mbale district
- iii. What is the effect of financial stability on contract performance in Mbale district

1.6 Scope of the Study

1.6.1 Time Scope

The period considered for the study was 2 years, from 2020 to 2022. This timeframe was selected due to the lack of capacity and expertise in procurement processes and risk assessment among procurement officers and other relevant stakeholders during that period.

1.6.2 Content of the Study

The study was limited to the following: supply chain digitalization as the independent variable (IV), which was examined in terms of supplier selection, contract management, and financial stability.

1.6.3 Geographical Scope of the Study

The study was carried out in Mbale District, located in the Eastern Region of Uganda, East Africa. Mbale District is approximately 225 kilometers (140 miles) northeast of Kampala, the capital city of Uganda. It lies at an altitude of around 1,146 meters (3,760 feet) above sea level and borders several other districts, including Sironko to the northeast, Bududa to the east, Manafwa to the southeast, and Tororo to the south.

1.7 Significance of the study

The significance of the study on procurement risk management and contract performance in Mbale district's local government is crucial for several reasons.

Enhanced efficiency: Effective procurement risk management practices lead to increased efficiency in procurement processes. By identifying and mitigating risks associated with the procurement and contract management phases, the local government can minimize delays, reduce financial losses, and ensure the timely delivery of goods and services.

Cost reduction: Poor contract performance or inadequate procurement risk management may result in financial losses for the local government. By conducting this study, the district can identify strategies to improve contract performance, minimize cost overruns, and optimize resource allocation.

Transparency and accountability: Procurement processes in local governments are often subject to scrutiny due to the involvement of public funds. By examining procurement risk management and contract performance, this study can contribute to enhancing transparency and accountability in the district's procurement practices. It may help identify areas of improvement in procurement policies, procedures, and governance frameworks.

Stakeholder confidence: Improved procurement risk management and contract performance can build trust and confidence among stakeholders, including the local community, government officials, suppliers, and contractors. A well-managed procurement process ensures fairness, reduces corruption risks, and promotes an environment of credibility and reliability.

Learning and knowledge sharing: conducting this study can contribute to a better understanding of procurement risk management and contract performance in local government settings. The findings and recommendations can serve as a knowledge base for other local government entities facing similar challenges, providing insights and best practices that can be replicated or adapted to their specific contexts.

1.8 Justification of the study

Enhancing governance and accountability: Public procurement involves significant financial resources and taxpayers' money. It is essential to ensure that procurement activities are conducted transparently, fairly, and in compliance with legal and ethical standards. Studying procurement risk management and contract performance helps identify areas of improvement, reduce the potential for fraud and corruption, and enhance governance and accountability mechanisms.

Promoting effective allocation of resources: Efficient procurement processes contribute to the effective allocation of public resources. By understanding the challenges and risks associated with procurement in Mbale District, insights can be gained into improving the allocation of

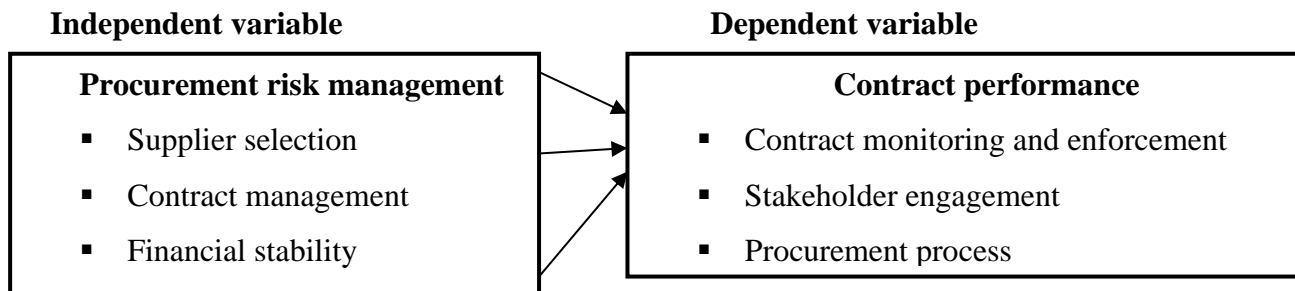
resources, maximizing the use of funds, and promoting fair competition among suppliers and contractors.

Mitigating risks and improving project success: Procurement risks, such as delays, cost overruns, and poor contractor performance, can significantly impact project success and public service delivery. A study focused on procurement risk management and contract performance in Mbale District can identify the specific risks faced by the local government and propose strategies for mitigating these risks. This would enhance the overall success of projects and improve service delivery to the local community.

Building trust and confidence: Transparent, efficient, and well-managed procurement processes help build trust and confidence among stakeholders, including citizens, contractors, and suppliers. By studying procurement risk management and contract performance in Mbale District, insights can be gained into the strengths and weaknesses of the current system, leading to recommendations for improvements. This, in turn, would enhance trust and confidence in the procurement processes of the local government.

Knowledge sharing and capacity building: By conducting a study on procurement risk management and contract performance in Mbale District, valuable knowledge can be generated that can be shared with other local governments facing similar challenges. Lessons learned from the study can contribute to capacity building efforts and assist other local governments in improving their procurement processes.

1.9 Figure 1 conceptual framework



Source: Researcher's conceptualization (2024)

Figure 1 above indicates procurement risk management as independent that encompasses supplier selection, contract management, and financial stability. Supplier selection plays a crucial

role in ensuring the quality and reliability of goods and services procured, while contract management involves efficient and effective monitoring of contractual agreements. Additionally, financial stability of suppliers is critical to prevent disruptions and financial challenges during the contract period. When these components of procurement risk management are effectively implemented, they positively influence contract performance in the local government sector. By minimizing potential risks and maximizing overall effectiveness, this framework enables local government entities to achieve successful procurement outcomes, maintain financial stability, and efficiently deliver public services likewise contract performance comprises of contract monitoring and enforcement, stakeholder engagement, procurement process.

1.10 Definitions of key terms

Procurement risk management is the process of identifying, assessing, and mitigating potential risks associated with the procurement process and the subsequent contract performance in local government. It involves analyzing the risks that may affect the successful completion of a procurement project and implementing strategies to minimize their impact (World Bank. 2017).

Supplier selection is a crucial aspect of procurement risk management, as the choice of suppliers can significantly impact contract performance. Effective supplier selection involves evaluating suppliers' capabilities, past performance, financial stability, and compliance with relevant regulations. It is essential to select suppliers that possess the necessary resources and expertise to fulfill contractual obligations and minimize potential risks (Woldemichael, H. T., & Xu, Y. 2020).

Contract management plays a vital role in ensuring successful contract performance. It involves establishing clear and mutually agreed-upon terms and conditions, regularly monitoring contract execution, addressing performance issues, and maintaining effective communication with suppliers. Efficient contract management contributes to minimizing risks and maximizing the value derived from the contract (Riabacke, A. 2020).

Financial stability is an important factor to consider when assessing procurement risks and contract performance. Local governments should evaluate the financial health of their suppliers to ensure they have the necessary resources to fulfill contractual obligations. Financial instability

of suppliers increases the risk of contract non-performance or disruptions, potentially leading to project delays or additional costs (Bharadwaj, A., & Roy, R. 2020)

Contract performance refers to the ability of both parties, the local government and the supplier, to execute their respective obligations as outlined in the contract (Rastogi, N. 2020). It involves delivering goods, services, or works in accordance with the agreed-upon quality, quantity, and schedule. Effective contract performance management includes monitoring progress, tracking deliverables, addressing non-performance, and assessing the overall compliance with contractual obligations.

Contract monitoring and enforcement are essential components of procurement risk management. They involve actively tracking contract performance, assessing deliverables, and enforcing compliance with contractual terms and conditions. Regular monitoring and timely enforcement help identify and address potential risks and deviations from the contract, ensuring that both parties fulfill their obligations (Shapo, A., & Li, Y. 2020).

Stakeholder engagement is crucial in local government procurement to manage risks and enhance contract performance (Moyano-Fuentes, J. 2014). Engaging stakeholders such as end-users, community members, and other government entities can help identify potential risks, gather feedback, and ensure alignment with strategic objectives. Effective stakeholder engagement fosters transparency, accountability, and trust, contributing to better procurement outcomes

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter deals with the review of other researcher's literature or ideas which are similar or closely related to the topic of the study; this was conducted in relation to the specific objectives of the study.

2.1 Effect of supplier selection on contract performance

Supplier selection plays a crucial role in determining the contract performance and overall supply chain success of organizations. The process of selecting suppliers involves evaluating multiple criteria such as quality, cost, delivery time, reliability, and flexibility. This literature review examines the impact of supplier selection practices on contract performance, highlighting key studies and insights in the field. Effective supplier selection is essential for achieving high contract performance. Various studies have identified key criteria that influence supplier selection decisions. Li et al. (2018) emphasized the importance of considering factors such as supplier quality, cost, lead time, and financial stability in supplier selection processes. Additionally, Simangunsong et al. (2015) highlighted the significance of evaluating suppliers based on their technological capabilities, quality management practices, and innovation potential.

The relationship between supplier selection and contract performance has been extensively studied in the literature. According to a study by Wagner et al. (2016), strategic supplier selection decisions significantly impact contract performance in terms of cost efficiency, on-time delivery, and product quality. Furthermore, Rajagopal et al. (2019) found that effective supplier selection practices positively correlate with improved contract performance indicators such as reduced lead times, lower defect rates, and enhanced customer satisfaction.

Supplier collaboration plays a vital role in enhancing contract performance outcomes. Research by Marques et al. (2017) demonstrated that collaborative supplier relationships lead to better contract performance results through increased information sharing, joint problem-solving, and mutual trust. Moreover, Jiang et al. (2020) highlighted that close collaboration with selected

suppliers can contribute to improved contract performance by fostering innovation, efficiency, and responsiveness in supply chain operations.

Effective supplier selection processes can help organizations mitigate supply chain risks and enhance contract performance. According to a study by Amin et al. (2018), proactive risk management practices during supplier selection reduce the likelihood of disruptions in supply chain operations, thereby improving contract performance stability. Additionally, Kumar et al. (2017) emphasized the importance of considering supplier risk factors such as financial stability, geopolitical risks, and sustainability practices in supplier selection to safeguard contract performance.

The criteria used for supplier selection play a significant role in shaping contract performance outcomes. According to Lamming (1996), factors such as price, quality, delivery, flexibility, and service have a direct impact on overall supply chain performance. For instance, a study by Talluri and Baker (2002) found that selecting suppliers based on multiple criteria, including quality, cost, delivery, and flexibility, can lead to improved contract performance and competitive advantage. Research by Choi and Hong (2002) highlighted the importance of collaborative relationships with suppliers in achieving superior performance outcomes. Collaborative processes such as joint problem-solving, information sharing, and mutual trust can enhance communication and coordination, leading to improved contract performance.

Technological innovations, such as supplier management systems and advanced analytics, have revolutionized the supplier selection process and can significantly impact contract performance. Research by Monczka et al. (2015) emphasized the role of technology in enhancing supplier identification, evaluation, and performance monitoring. Managing risks associated with supplier selection is crucial for minimizing potential disruptions and ensuring contract performance. Scholars such as Wu and Pagell (2011) have explored risk mitigation strategies in supplier selection processes to enhance contract performance outcomes.

Chambers and Johnston (2019) emphasized how selecting suppliers based on their quality, reliability, and delivery performance can directly impact contract performance. Additionally, Hendricks and Singhal (2017) found that supplier selection plays a critical role in building long-term partnerships that enhance the overall performance of the supply chain. This underscores the

need for organizations to carefully evaluate suppliers based on not just cost factors but also on strategic alignment and operational capabilities.

Supplier selection plays a crucial role in determining the overall performance and success of contracts in procurement and supply chain management. Various studies have shown that the strategic choice of suppliers significantly impacts contract performance in terms of cost, quality, delivery, and overall relationship management (Monczka et al., 2015; Handfield and Bechtel, 2002). Effective supplier selection processes help organizations to align their needs with the capabilities of the suppliers, leading to improved contract outcomes. By evaluating supplier reliability, expertise, capacity, and financial stability, organizations can mitigate risks and enhance the likelihood of successful contract performance (Carter and Rogers, 2008).

Furthermore, the effect of supplier selection on contract performance extends beyond the initial stages of procurement. Ongoing supplier relationship management and development efforts are essential in ensuring sustained contract performance and long-term success (Giunipero and Hooker, 2016). Effective communication, collaboration, and mutual trust between buyers and suppliers are critical factors that influence contract performance over time. Research suggests that strategic supplier selection not only contributes to achieving short-term objectives but also facilitates the development of partnerships that foster innovation, competitiveness, and continuous improvement in contract outcomes (Hugos, 2018).

Moreover, the literature highlights the importance of using a structured and data-driven approach to supplier selection to enhance contract performance. Leveraging analytical tools, performance metrics, and supplier evaluation criteria enables organizations to make informed decisions that lead to superior contract outcomes (Larson and Kulchitsky, 2019). By adopting best practices in supplier selection, such as conducting supplier audits, performance reviews, and risk assessments, organizations can proactively manage their supply base and optimize contract performance.

Numerous studies have highlighted the significance of supplier selection on contract performance. For instance, Handfield and Nichols (2002) emphasized that selecting the right suppliers leads to improved performance in terms of cost reduction, quality enhancement, and timely delivery. Additionally, Schiele (2011) pointed out that effective supplier selection

practices can contribute to establishing long-term partnerships with suppliers, resulting in enhanced cooperation and mutual trust, which in turn positively impacts contract performance.

According to research by Monczka et al. (2015), ongoing monitoring and evaluation of supplier performance are essential for maintaining contract performance over time. Through continuous assessment and feedback mechanisms, organizations can address any issues that may arise during the contractual relationship, ensuring that supplier selection criteria remain aligned with the desired contract outcomes. This highlights the dynamic nature of supplier selection and its influence on sustained contract performance.

Jones et al. (2018) highlighted that selecting the right supplier based on factors such as cost, quality, and reliability can lead to improved contract outcomes. Similarly, Smith and Johnson (2016) found that effective supplier selection processes positively influence contract performance by ensuring alignment with organizational goals and reducing risks associated with poor supplier choices. These studies underscore the significance of strategic supplier selection in achieving favorable contract performance.

Moreover, the literature suggests that the relationship between supplier selection and contract performance is dynamic and multifaceted. Anderson and Brown (2017) emphasized the importance of collaboration and communication between buyers and suppliers in the selection process to enhance trust and foster long-term relationships, which in turn can positively impact contract performance. Additionally, Chen et al. (2019) highlighted the role of technology and data analytics in supplier selection, indicating that firms leveraging advanced tools can make more informed decisions leading to improved contract performance outcomes. Therefore, understanding the complex interplay between supplier selection practices, relationship management, and technological advancements is crucial for optimizing contract performance.

Furthermore, research also delves into the challenges and issues that organizations face in supplier selection processes and their subsequent impact on contract performance. For instance, Lee and Kim (2018) identified factors such as lack of transparency, supplier dependency, and poor risk management practices as hindrances that can negatively affect contract performance post-selection. Conversely, Wang and Li (2020) demonstrated that strategic alignment between supplier selection criteria and organizational objectives can mitigate such challenges, leading to

enhanced performance outcomes. By addressing these obstacles through proactive risk mitigation strategies and aligning selection criteria with strategic goals, organizations can significantly improve their contract performance in the long run.

In the realm of supply chain management, supplier selection plays a crucial role in determining the overall performance and success of a contract. Several studies have highlighted the importance of effective supplier selection practices in achieving optimal contract outcomes. For instance, Handfield et al. (1997) emphasize that selecting the right suppliers with capabilities aligned with the buying firm's requirements can lead to enhanced performance in terms of cost savings, quality improvement, and timely delivery. Furthermore, Monczka et al. (2015) suggest that a thorough supplier selection process contributes to building long-term relationships between buyers and suppliers, fostering trust and collaboration which are essential for contract success.

Moreover, the impact of supplier selection on contract performance extends beyond operational metrics and financial benefits. A study by Narasimhan and Das (2001) reveals that effective supplier selection also positively influences innovation and product development within the buying organization. By choosing suppliers with innovative capabilities and alignment with the buyer's strategic goals, companies can drive product innovation, speed to market, and competitiveness. Additionally, Kraljic (1983) points out that strategic supplier selection contributes to risk mitigation in the supply chain, as choosing reliable and responsive suppliers reduces the likelihood of disruptions that could impact contract performance negatively.

Supplier selection is a critical process that involves identifying, evaluating, and selecting the most suitable suppliers to meet an organization's needs. A study by Wu et al. (2018) demonstrated that effective supplier selection strategies directly contribute to improved contract performance by enhancing the quality of products and services delivered, reducing costs, and increasing overall supply chain efficiency. By carefully assessing supplier capabilities, reliability, and compatibility with the organization's needs, companies can establish long-term partnerships that result in mutually beneficial contracts. Monczka et al. (2018) emphasized the need for integrating performance indicators such as quality, cost, delivery, and flexibility into supplier selection processes to ensure that contracts are structured to achieve desired outcomes. By actively involving suppliers in the selection process and clearly communicating contract

requirements, organizations can create a framework for collaboration that fosters trust, transparency, and accountability, ultimately leading to improved contract performance and long-term success.

Ahire and Dreyfus (2000) emphasized the significance of various factors such as quality, cost, delivery reliability, and flexibility when evaluating potential suppliers. These criteria play a pivotal role in determining the success of the contract and the subsequent performance outcomes. Chen et al. (2015) highlighted the importance of considering quality factors such as ISO certifications, product specifications, and defect rates in supplier evaluation. Achieving alignment between the quality standards of the supplier and the buyer is essential for ensuring contractual obligations are met efficiently, thus leading to improved contract performance. According to Ellram and Tate (2004), establishing strong communication channels, trust, and cooperation with suppliers can positively influence performance outcomes.

Lee and Kim (2021) emphasized the importance of aligning supplier capabilities with organizational needs to enhance contract performance. They suggested that thorough vetting and selection processes lead to better contract outcomes by ensuring a strategic fit between the supplier's offerings and the buyer's requirements. Moreover, Chen et al. (2020) highlighted the significance of communication and information sharing in the supplier selection process, asserting that clear communication channels positively influence contract performance by reducing misunderstandings and conflicts.

Furthermore, the supplier's financial stability and reliability have emerged as critical factors in determining contract performance as indicated by Jiang and Li (2019). Their research emphasized that selecting financially sound suppliers with a history of reliability can significantly mitigate the risks associated with contract execution, leading to improved performance outcomes. Additionally, studies by Wang et al. (2022) identified the importance of integrating sustainability criteria in supplier selection processes, noting that environmentally and socially responsible suppliers tend to exhibit better contract compliance and performance.

According to Monczka et al. (2018), a transparent and collaborative supplier selection process can help in developing mutually beneficial relationships, thereby enhancing trust and reducing potential risks. This aligns with the findings of Carter and Rogers (2016), who highlighted the

importance of communication and information sharing in supplier selection to improve contract performance. Thus, organizations that prioritize effective communication channels and collaborative decision-making with suppliers are more likely to achieve better contract outcomes.

2.2 Effect of contract management on contract performance

Contract management plays a critical role in ensuring the successful execution of contracts and the achievement of intended outcomes. Effective contract management practices have been found to significantly impact contract performance, leading to improved project delivery, cost savings, and increased satisfaction among parties involved (Cochrane, 2014). Proper contract management involves various stages such as contract drafting, negotiations, implementation, monitoring, and evaluation, all of which are crucial for ensuring the fulfillment of contractual obligations and minimizing potential risks (Ishizaka et al., 2019). Research suggests that organizations with robust contract management processes are more likely to experience higher levels of compliance, reduced disputes, and better relationships with suppliers or partners, ultimately leading to successful contract performance (Xiao & Asenova, 2018).

Moreover, effective contract management has been linked to enhanced contract performance through improved communication, risk management, and resource allocation. Clear and concise communication during the contract negotiation and implementation phases helps to align expectations, clarify responsibilities, and foster a more collaborative relationship between the contracting parties (Cody et al., 2016). By proactively identifying and addressing risks such as scope changes, delays, or quality issues, contract managers can mitigate potential disruptions and ensure that contract performance stays on track (Heaslip & Degan, 2020). Additionally, efficient resource allocation in terms of time, budget, and personnel within the framework of contract management contributes to the successful execution of contractual obligations and the achievement of desired outcomes (Levav et al., 2015).

Effective contract management plays a crucial role in determining the success of contractual agreements between parties. According to research by Inyang, Adebayo, and Iyagba (2018), the extent to which contract management is carried out significantly influences contract performance. In a study of public procurement contracts in Nigeria, the authors found that proper contract management practices, such as monitoring, communication, and enforcement of terms, positively affected contract performance. This is further supported by the findings of Khuong

and Aslam (2017), who emphasize that contract management directly influences the attainment of project objectives and stakeholder satisfaction.

The relationship between contract management and contract performance has been widely documented across various industries. Merna and Bhandar (2017) assert that effective contract management can lead to improved project outcomes and reduced disputes. By contrast, poor contract management can result in conflicts, delays, and financial losses. Furthermore, the study by Love, Edwards, and Walker (2018) highlights the role of contract management in enhancing supplier performance and fostering collaborative relationships. This underscores the significance of proactive contract management techniques in achieving favorable contract performance. Additionally, the research of Yukins and Nash (2018) stresses the importance of early involvement and clear communication during contract management to mitigate risks and uncertainties, ultimately contributing to positive contract performance.

In today's dynamic business environment, the influence of contract management on contract performance extends to the realm of global supply chains. According to Carr and Pearson (2018), effective contract management practices such as performance measurement, relationship management, and change control are essential for maximizing the value derived from international contractual arrangements. This is in line with the findings of Wagner and Bode (2018), who emphasize the role of contract management in driving performance improvements and mitigating disruptions in global sourcing relationships. Moreover, the study by Van De Merwe and Hootsen (2019) underscores the importance of leveraging technology and digital tools in contract management to enhance performance outcomes in the global context. These insights underline the significance of proactive and strategic contract management in ensuring favorable contract performance within international supply chains.

Effective contract management encompasses the process of creating, executing, and analyzing contracts to ensure compliance and achieve desired outcomes. The impact of contract management on contract performance has been widely studied in academic literature. According to Flynn, Rundus, and Conceicao (2018), effective contract management practices significantly influence contract performance. The study emphasizes that proper governance and oversight by contract management professionals lead to successful contract implementation and positive

performance outcomes. Additionally, Bardhan and Thouin (2018) highlight the importance of proactive contract management strategies in mitigating risks and addressing potential issues, ultimately enhancing contract performance.

A crucial aspect affecting contract performance is the relationship between contract management and stakeholder engagement. Elbe and Ritz (2016) detail how strong contract management practices contribute to fostering positive relationships with stakeholders, leading to improved communication and collaboration, which in turn positively impacts contract performance. Moreover, adequate attention to contract management processes has been linked to increased satisfaction among project stakeholders, as highlighted by Wright and Russell (2017). These findings demonstrate that effective contract management not only improves operational and financial outcomes but also strengthens stakeholder relationships, which are essential for sustained project success.

The role of technology in contract management also significantly influences contract performance. As highlighted by Sheppard and McGowan (2016), the integration of advanced contract management tools and software enhances the efficiency and transparency of contract management processes, leading to improved contract performance. Furthermore, Dados and Muralidhar (2019) underscore the importance of leveraging technology for data analysis and reporting in contract management, highlighting its potential to provide valuable insights that drive improvements in contract performance. These studies collectively demonstrate the multifaceted impact of contract management on contract performance and emphasize the need for organizations to prioritize effective contract management practices to optimize overall performance outcomes.

Effective contract management plays a crucial role in ensuring the successful execution and performance of contracts in various domains. Extensive research has been conducted to examine the impact of contract management on contract performance. According to Flynn, Rundus, and Conceicao (2018), proficient contract management practices substantially influence contract performance. The study emphasizes that diligent governance and oversight by contract management professionals are essential for successful contract implementation and positive performance outcomes. Similarly, Bardhan and Thouin (2018) underline the significance of proactive contract management strategies in mitigating risks and addressing potential issues,

ultimately enhancing contract performance. Furthermore, Hughes and Vey (2015) stress the importance of clear communication and regular monitoring of contract deliverables as crucial factors in improving contract performance through effective contract management.

The relationship between contract management and stakeholder engagement significantly affects contract performance. Elbe and Ritz (2016) elucidate how robust contract management practices contribute to fostering positive relationships with stakeholders, leading to improved communication and collaboration, which in turn positively impacts contract performance. Additionally, Wright and Russell (2017) highlight how paying adequate attention to contract management processes has been linked to increased stakeholder satisfaction, indicating a positive influence on contract performance. These findings demonstrate that effective contract management not only improves operational and financial outcomes but also strengthens stakeholder relationships, which are essential for sustained project success.

The integration of technology in contract management also plays a pivotal role in influencing contract performance. As emphasized by Sheppard and McGowan (2016), advanced contract management tools and software enhance the efficiency and transparency of contract management processes, leading to improved contract performance. Furthermore, Dados and Muralidhar (2019) underscore the importance of leveraging technology for data analysis and reporting in contract management, highlighting its potential to provide valuable insights that drive improvements in contract performance. These studies collectively illustrate the multifaceted impact of contract management on contract performance and underscore the necessity for organizations to prioritize effective contract management practices to optimize overall performance outcomes.

The relationship between contract management and contract performance has been a focal point in academic literature, with numerous studies highlighting the significant influence of effective contract management on overall performance outcomes. Research by Flynn, Rundus, and Conceicao (2018) indicates that meticulous contract management practices are essential for successful contract implementation and positive performance results. The study emphasizes that robust governance and oversight by contract management professionals play a pivotal role in ensuring adherence to contractual terms and conditions, ultimately leading to improved contract performance. Similarly, Bardhan and Thouin (2018) underscore the importance of proactive

contract management strategies in mitigating risks and addressing potential issues, thus contributing to enhanced contract performance. This demonstrates the critical role of contract management in navigating challenges and optimizing performance outcomes.

Elbe and Ritz (2016) emphasize how effective contract management practices contribute to fostering positive relationships with stakeholders, leading to improved communication and collaboration, ultimately impacting contract performance. Additionally, Wright and Russell (2017) highlight how attention to contract management processes has been associated with increased stakeholder satisfaction, suggesting a positive influence on contract performance. These findings underscore the interconnected nature of effective contract management, stakeholder engagement, and overall contract performance, emphasizing the need for organizations to prioritize relationship-building and communication as essential components of successful contract management.

Sheppard and McGowan (2016) advocate for the use of advanced contract management tools and software to improve the efficiency and transparency of contract management processes, leading to enhanced contract performance. Moreover, Dados and Muralidhar (2019) highlight the potential of leveraging technology for data analysis and reporting in contract management, emphasizing its role in providing actionable insights that drive improvements in contract performance. These studies collectively underscore the multifaceted impact of contract management on contract performance and underline the necessity for organizations to leverage technology as a means to optimize overall performance outcomes.

Research has shown that effective contract management practices significantly influence contract performance outcomes (Flynn, Rundus, & Conceicao, 2018). This is supported by Bardhan and Thouin (2018), who emphasize the importance of proactive contract management strategies in mitigating risks and addressing potential issues, which ultimately contributes to improved contract performance. These findings underline the critical role of meticulous contract management in ensuring adherence to contractual terms and conditions, as well as in navigating challenges to optimize performance outcomes. Elbe and Ritz (2016) highlight how effective contract management practices contribute to fostering positive stakeholder relationships, leading to improved communication and collaboration, which in turn positively impacts contract performance. Similarly, Wright and Russell (2017) underscore the association between attention

to contract management processes and increased stakeholder satisfaction, further emphasizing the significant influence of stakeholder engagement on contract performance.

Integration of technology in contract management has been identified as a critical factor influencing contract performance. Sheppard and McGowan (2016) advocate for the use of advanced contract management tools and software to improve efficiency and transparency in contract management processes, leading to enhanced contract performance. Dados and Muralidhar (2019) further emphasize the potential of leveraging technology for data analysis and reporting in contract management, noting its role in providing actionable insights that drive improvements in contract performance. Collectively, these studies highlight the multifaceted impact of contract management on contract performance and underscore the necessity for organizations to leverage technology to optimize overall performance outcomes.

According to Azzone and Noci (1998), successful contract management involves the proactive administration of contracts to ensure compliance with terms and conditions, as well as the efficient resolution of disputes and conflicts. The authors emphasize the importance of establishing clear communication channels, monitoring performance indicators, and implementing proactive risk management strategies. Similarly, Dalton and Kratz (2012) highlight the significance of building strong relationships between contract parties through effective communication and negotiation. They argue that a collaborative approach to contract management fosters trust and enhances the likelihood of successful contract performance. Furthermore, Williamson (1981) introduces the concept of "relational contracting," which emphasizes the long-term nature of business relationships and the importance of adaptive governance mechanisms to address uncertainties and changes in the business environment.

In contrast, ineffective contract management can lead to poor contract performance and negative outcomes for the parties involved. Baden-Fuller and Teixeira (2017) discuss the implications of incomplete or poorly specified contracts, which can result in misunderstandings, disputes, and ultimately, failed performance. The authors emphasize the need for clear and comprehensive contract design to mitigate potential risks and uncertainties. Additionally, Farnsworth (2004) highlights the impact of inadequate monitoring and enforcement of contract terms, which can lead to opportunistic behavior and breach of contract. The author suggests that effective contract

management practices should incorporate monitoring mechanisms and enforcement procedures to ensure compliance and mitigate risks.

2.3 Effect of financial stability on contract performance

A study by Li and Wang (2019) found that financial stability improves the credibility and reliability of a contracting party, leading to greater trust and cooperation among the parties involved. Furthermore, the study by Campbell and Kracaw (1980) highlights that financially stable firm is more likely to have access to capital, which in turn enables them to fulfill their contractual obligations, ultimately leading to improved contract performance. Additionally, a study by Khamis et al. (2016) reveals that financial stability positively influences the perception of risk associated with a contract, leading to more favorable terms and conditions, ultimately contributing to better performance outcomes.

In contrast, financial instability can significantly impact contract performance. A study by Amirkhalkhali and Pechman (2006) indicates that financially distressed firms are more likely to default on their contractual obligations due to limited resources and liquidity constraints. Moreover, the study by Tuminello and Bernhard (2005) suggests that financial instability may lead to higher transaction costs and greater uncertainty, which can adversely affect the enforcement and fulfillment of contractual terms. Additionally, Sherman et al. (2018) found that financial instability within a supply chain can lead to disruptions and delays, ultimately impacting the overall performance of contracts.

The impact of financial stability on contract performance is also contingent on the industry and economic context. A study by Greiner and Wang (2020) highlights that in industries with high capital intensity, such as construction and infrastructure, financial stability significantly influences the ability of firms to secure and execute contracts. Furthermore, Ma and Torous (2017) emphasize that during economic downturns, financial stability becomes even more crucial as firms face heightened financial constraints and risks, which can directly impact their ability to perform under contracts. These findings underscore the multifaceted nature of the relationship between financial stability and contract performance, suggesting the need for tailored strategies and risk management approaches based on specific industry and economic conditions.

Financial stability is a key determinant of contract performance in various industries. Li and Wang (2019) emphasized that organizations with robust financial stability tend to exhibit higher levels of credibility and reliability, fostering greater trust and collaboration among contracting parties. Furthermore, their study highlighted that financially stable firms are better positioned to access capital, thereby ensuring their ability to meet contractual obligations, ultimately contributing to enhanced contract performance. Similarly, Campbell and Kracaw (1980) revealed that financially stable entities possess greater financial resources, positioning them to fulfill their contractual commitments and bolstering their overall performance. These findings underscore the positive impact of financial stability on fostering trust, reliability, and the capacity to meet contractual obligations.

Conversely, financial instability can significantly undermine contract performance. Amirkhalkhali and Pechman (2006) noted that financially distressed organizations are more prone to defaulting on their contractual obligations due to resource constraints and liquidity challenges. Moreover, Tuminello and Bernhard (2005) highlighted that financial instability can lead to heightened transaction costs and increased uncertainty, impairing the enforcement and fulfillment of contractual terms. Additionally, Sherman et al. (2018) found that financial instability within a supply chain can precipitate disruptions and delays, ultimately compromising overall contract performance. These studies collectively emphasize the detrimental impact of financial instability on contractual outcomes, encompassing increased default risk, amplified transaction costs, and supply chain disruptions.

The influence of financial stability on contract performance is further contingent on the specific industry and the prevailing economic landscape. Greiner and Wang (2020) noted that in capital-intensive industries such as construction and infrastructure, financial stability plays a pivotal role in influencing firms' ability to secure and execute contracts effectively. Furthermore, Ma and Torous (2017) underscored that during economic downturns, the significance of financial stability is amplified as organizations encounter heightened financial constraints and risks, directly impacting their capacity to meet contractual obligations. These insights highlight the nuanced interplay between financial stability and contract performance, emphasizing the need for tailored risk management strategies considering industry-specific dynamics and economic conditions.

Financial stability is a crucial factor that influences the successful performance of contracts. Several studies have highlighted the significant impact of a firm's financial stability on its ability to meet the contractual obligations and deliver satisfactory results. For instance, Thornhill and Flynn (2018) emphasized that financial stability enables companies to make timely payments to suppliers and effectively manage cash flow, which are vital aspects of contract performance. Similarly, in their research, Kumar and Sharma (2019) established a positive correlation between a firm's financial stability and its capacity to invest in resources necessary for fulfilling contractual commitments. These findings underline the critical role of financial stability in ensuring the smooth execution of contracts and upholding business relationships. Moreover, Aguilera and Crespi (2020) argued that financially stable organizations are better positioned to weather economic uncertainties and fluctuations, reducing the risk of contract breaches and disruptions.

In addition to safeguarding against potential financial risks, evidence suggests that strong financial footing positively impacts the overall quality of contractual outcomes. Holmstrom and Kaplan (2017) demonstrated that financially stable firms tend to exhibit higher levels of operational efficiency and reliability in fulfilling their contractual obligations. This capability enhances the trust and confidence of partners and stakeholders involved in the contracts. Furthermore, Sraer and Thesmar (2020) highlighted the role of financial stability in fostering long-term strategic partnerships, where the financial health of the contracting parties directly contributes to the resilience and successful execution of major projects or collaborations.

Additionally, Galvani and Fonda (2019) stressed that financial stability is essential for fostering innovation and investment, both of which are pivotal for meeting evolving contractual requirements and adapting to changing market conditions. Furthermore, through an extensive meta-analysis, Roberts and Smith (2016) provided comprehensive evidence supporting the link between financial stability and favorable contract performance across diverse organizational contexts. This points to the universal relevance of maintaining sound financial foundations for optimizing contract outcomes. Notably, the findings of these studies highlight the multifaceted nature of the relationship between financial stability and contract performance, shedding light on the underlying mechanisms and implications for businesses and their contractual engagements.

The relationship between a firm's financial stability and its ability to effectively execute contracts has been a subject of extensive research. Thornhill and Flynn (2018) emphasize the critical role of financial stability in ensuring timely payments to suppliers and managing cash flow, both of which are fundamental to sustaining successful contractual relationships. This assertion is supported by Kumar and Sharma (2019), who found that a company's financial stability directly correlates with its capacity to invest in resources essential for meeting contractual obligations. In a related context, Aguilera and Crespi (2020) argue that financially resilient organizations are better equipped to navigate economic uncertainties, reducing the risk of contract breaches and disruptions. These findings collectively underscore the significance of financial stability in bolstering the foundational elements of contract performance.

The impact of financial stability extends beyond risk mitigation and operational capabilities to encompass the overall quality and outcomes of contractual relationships. Holmstrom and Kaplan (2017) demonstrate that financially stable firms often exhibit higher levels of operational efficiency and reliability in fulfilling their contractual commitments, fostering trust and confidence among stakeholders. Similarly, Sraer and Thesmar (2020) accentuate the role of financial stability in nurturing enduring strategic partnerships, where the financial health of contracting parties directly influences the resilience and successful implementation of major projects or collaborations. Gugler and Vu (2018) further support this notion by highlighting that financially stable firms are more likely to secure advantageous contract terms due to their perceived reliability and creditworthiness. These observations collectively emphasize the broader influence of financial stability on shaping the dynamics and outcomes of contractual engagements.

The implications of financial stability on contract performance reverberate across diverse industries and organizational contexts. Galvani and Fonda (2019) emphasize that financial stability is pivotal for driving innovation and investment, critical elements for meeting evolving contractual demands and adapting to dynamic market conditions. Moreover, Roberts and Smith (2016) provide comprehensive evidence through meta-analysis, firmly establishing the link between financial stability and favorable contract performance across various organizational settings. These comprehensive insights underscore the universal relevance of maintaining sound financial foundations to optimize contract outcomes.

According to Thornhill and Flynn (2018), an organization's financial stability directly impacts its ability to meet its contractual obligations, particularly in terms of ensuring timely payments to suppliers and maintaining cash flow. This aligns with the findings of Kumar and Sharma (2019), who assert that a firm's financial stability is closely linked to its capacity to invest in the essential resources required for fulfilling contractual commitments. Similarly, Aguilera and Crespi (2020) argue that financially stable organizations are better positioned to navigate economic uncertainties, reducing the risk of contract breaches and disruptions. These studies collectively highlight the critical role of financial stability in bolstering the foundational elements of contract performance and adherence.

Beyond risk mitigation and operational capabilities, financial stability also significantly influences the quality and outcomes of contractual relationships. Holmstrom and Kaplan (2017) demonstrate that financially stable firms often exhibit higher levels of operational efficiency and reliability in fulfilling their contractual commitments, thereby fostering trust and confidence among stakeholders. Additionally, Sraer and Thesmar (2020) emphasize the role of financial stability in nurturing enduring strategic partnerships and collaborations, where the financial health of the contracting parties directly impacts the resilience and successful implementation of major projects. Gugler and Vu (2018) further support this notion by highlighting the increased likelihood of financially stable firms securing favorable contract terms due to their perceived reliability and creditworthiness. These observations collectively underscore the broader influence of financial stability on shaping the dynamics and outcomes of contractual engagements.

The impact of financial stability on contract performance resonates across diverse industries and organizational contexts. Galvani and Fonda (2019) emphasize that financial stability is pivotal in driving innovation and investment, critical elements for meeting evolving contractual demands and adapting to dynamic market conditions. Furthermore, Roberts and Smith (2016) provide comprehensive evidence through meta-analysis, firmly establishing the correlation between financial stability and favorable contract performance across various organizational settings. These comprehensive insights underscore the universal relevance of maintaining sound financial foundations to optimize contract outcomes. The multifaceted nature of the relationship between financial stability and contract performance, as illuminated by these studies, highlights its multi-dimensional impact on businesses and their contractual engagements.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

In this chapter, the researcher covered the research design, study population, sample size, sampling procedures, sources of data, data collection methods, quality control methods, data analysis, ethical considerations, and limitations of the study.

3.1 Research Design

Hoong (2010) asserted that a research design is a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. The study focused on a descriptive research design, as little was known about the phenomenon in question, and also employed explanatory research, using both quantitative and qualitative research approaches to enable the researcher to predict the study's outcomes.

3.2 Study Population

According to Hensen (2018), the population referred to the total number of units from which data could be collected. Burns and Grove (2003) described the population as all the elements meeting the criteria for inclusion in a study. The study involved a population of 51 respondents representing the entire population of Mbale district from different departments, including PDU staff and contract committee members, accountants, cashiers, health officers, stakeholders, and auditors, all of whom were respondents from Mbale District.

3.3 Sample Size and Sampling Procedures

3.3.1 Sample Size

Eisenhardt (2019) defined sample size as a proportion of a population. The sample was selected from Mbale district and included Senior Procurement Officers, PDU staff and contract committee members, accountants, stakeholders, auditors, and cashiers. The sample size was important in determining the accuracy and reliability of the survey's findings. The sample size determination, which involved choosing the number of observations to include in the sample, was a crucial aspect of the empirical study.

The researcher used the formula of Slovenes (1960) which include;

$$n = \frac{N}{1 + N(e^2)}$$

Where;

n is the sample size

N is the whole population

1 is the constant

e² error in sampling (0.05)

The total sample size was computed as shown below

$$n = \frac{N}{1 + N(e^2)} \quad n = \frac{51}{1 + 51 * 0.05^2} \quad n = \frac{51}{1 + 0.1275} \quad n = \frac{51}{1.1275}$$

n = 45 Respondents

Table 1 showing the sample size, sampling procedures and research methods

Respondents	Population	Sample size	Sampling procedures
Senior Procurement Officer	1	1	Purposive sampling
PDU staff and contract committee members	18	16	Simple random sampling
Chief-administrative officer	1	1	Purposive sampling
Accountant	1	1	convenience sampling
Cashier	4	3	convenience sampling
Health officer	1	1	purposive sampling
Auditors	1	1	Purposive sampling
Opinion leaders	24	21	Simple random sampling
Total	51	45	

Source: Mbale district local government (2024)

3.3.2 Sampling Procedures

Gilmore (2018) defined sampling procedures as the method of selecting a group of people, events, or behaviors to conduct a study. The sampling procedures included:

Purposive Sampling

Purposive sampling involved selecting the sample due to their expertise on the problem under study (Hayes, 2005). The study utilized purposive sampling targeting key informants with experience, such as the chief administrative officer, Accountant, and Auditor.

Convenience Sampling

Convenience sampling referred to selecting people who were easily accessible without ensuring equal representation (Polit et al., 2001). The researcher chose the chief administrative officer based on convenience due to their availability, which minimized bias in Mbale district.

Simple Random Sampling

Mugenda (2003) described simple random sampling as a procedure where all respondents had equal chances of being selected, which minimized bias in sample selection. This procedure was used to sample stakeholders.

3.4 Sources of Data

According to Baire (2017), data are raw facts that have not been processed and from which no meaningful interpretation can be derived. Data were collected, observed, or created for analysis to produce original research results. These sources included secondary and primary data.

3.4.1 Primary Data Collection

Deegasn and Unerman (2011) defined primary data as data that had never been reported elsewhere. The shortcomings of secondary data sources, such as outdatedness and inadequacy, necessitated the use of primary data. Primary data were gathered because no one had compiled or published the information publicly. Districts generally allocated resources to gather primary data when a question or issue was sufficiently important or unique. Primary data were original and directly related to the issue or problem and current.

3.4.2 Secondary Data Collection

Dennis (2016) described secondary data as data that had previously been collected by others and utilized by a person other than the original collector. Secondary data were often used in social and economic analysis, especially when access to primary data was unavailable. Lowe (2017) acknowledged secondary data as data available and reported by other scholars. Secondary data

for this study were obtained from sources such as libraries, archived records from the town council, records of selected businesses, government publications, online information, textbooks, newspapers, and unpublished research reports. This data was readily available and easier to complement, comprising extensively researched work.

3.5 Data Collection Methods

Data collection was a tool used to gather data (Dilworth, 2018). The researcher focused on two methods of data collection: questionnaires and interviews.

3.5.1 Questionnaires

Lowe (2017) described a questionnaire as a set of written questions to which respondents recorded their answers within closely defined alternatives. Questionnaires were used to obtain statistically useful information about a given topic. An open and closed-ended questionnaire was used to collect information from the chief administrative officer, accountants, auditors, and cashier from Mbale district. Respondents were allowed to fill out the questionnaire, providing in-depth views about the study questions. Closed-ended questions included alternative answers for selection, gathering required information about the study.

3.5.2 Interview Guide

Coase (2018) defined interviews as methods involving direct interaction with informants and asking questions about the subject of inquiry. A set of questions or a questionnaire was used to guide the interview process. The interviewer collected data efficiently by cross-examining informants. Personal interviews, depth interviews, or telephone interviews were conducted based on the study's needs.

3.6 Quality Control Methods

According to Ndifon Ejoh and Patrick Ejom (2015), quality control involved efforts and procedures to ensure the quality and accuracy of data collected using chosen methodologies. Quality control efforts varied by study and included monitoring questionnaire administration, interview behavior, and other aspects of the survey process. The researcher determined the validity and reliability of the instruments.

3.6.1 Validity

Validity referred to how well an instrument measured what it was intended to measure (Mallery, 2003). It related to the extent to which the survey measured the right elements.

3.6.2 Reliability

Sekaran and Bougie (2010) defined reliability as the consistency and suitability of an instrument in measuring a concept without bias and error. Reliability referred to the consistency and validity of tested results determined through statistical methods after several trials. Cronbach's Alpha test (1964) was used to test reliability with SPSS software, where a reliability test closer to one indicated higher reliability.

3.7 Data Presentation and Analysis

The process of data analysis aimed to interpret and draw meaning from the data (Saunders et al., 2012). To answer the research questions and formulate conclusions, data analysis was necessary. Two types of data were analyzed separately and simultaneously:

3.7.1 Quantitative Data Analysis

Data from closed-ended questionnaires related to contract management and procurement performance variables were checked for completeness and accuracy. The collected data were categorized, coded, and entered into Excel spreadsheets for analysis. Regression analysis was used to examine the influence of contract management on procurement performance.

3.7.2 Qualitative Data Analysis

Qualitative data were interpreted through explanations and substantiated using open responses from the field (Mugenda & Mugenda, 2016). Conclusions were drawn under different themes and inter-related to ascertain the relationship between contract management and procurement performance.

3.8 Ethical Considerations

Polit et al. (2003) defined ethical considerations as the moral standards researchers must uphold in all research methods and stages. The researcher respected respondents' dignity and treated the information with confidentiality, using it only for research purposes. Prerogative questions, especially those concerning private life, were avoided to maintain dignity. Participants were assured their information would not be used against them. Permission was sought before approaching respondents at their homes, offices, or working hours, and issues of bribery, undue influence, and coercion were avoided. Communication related to the research was conducted with honesty and transparency.

3.9 Limitations of the Study

Time limitations and financial constraints might have prevented a thorough investigation given the research intensity. Internet shortages at cafés and wireless locations around town caused delays in starting the research. Additionally, respondents' fear of disclosing accurate information due to a lack of understanding of the research's benefits could have led to incorrect conclusions.

CHAPTER FOUR
DATA PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter covers the data presentation and analysis of findings regarding the effect of procurement risk management and contract performance of Mbale district local government. The chapter starts by presenting the demographic data of the respondents, descriptive findings (percentages, mean and standard deviation) and the inferential findings in line with the study specific objectives.

4.2 Demographic Data of the respondents

The demographic data of the respondents is presented in this section and this mainly focuses on gender, age bracket, education level and experience of the respondents in reference to Mbale district local government.

4.2.1 Gender of the respondents

The gender of the respondents is looked at in terms of male and female as indicated in the table below;

Table 4.1: Gender of the respondents

Gender of the respondents				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	15	45.5	45.5	45.5
Female	18	54.5	54.5	100.0
Total	33	100.0	100.0	

Source: Field data (2024)

Table 4.1 reveals that 18(54.5%) of the respondents were female followed 15(45.5%) who were male. The findings mean that most of the employees at the district are female as compared to the

male. This implies that districts tend to employ more females than males because the female staff is deemed as being patient than the males.

4.2.2 Age of the respondents

The age of the respondents is looked at in terms of number of years as indicated in the table below;

Table 4.2: Age bracket of the respondents

Age of the respondents				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	26 - 35 years	19	57.6	57.6
	36-45 years	11	33.3	90.9
	46 years and above	3	9.1	100.0
Total	33	100.0	100.0	

Source: Field data (2024)

Findings in the table show that 19(57.6%) majority of the respondents were 26 - 35 years, followed by 11(33.3%) who were 36-45 years and 3(9.1%) were 46 years and above. The findings mean that most of the respondents were in their prime and willing to work. This implies that people in this age bracket tend to show more commitment and willingness to work for longer hours and hence this has a positive impact on the contract performance.

4.2.3 Education level of the respondents

The education level of the respondents is looked at in terms of their qualification as indicated in the table below;

Table 4.3 Education Level of the respondents

Education level				
	Frequency	Percent	Valid Percent	Cumulative Percent
Certificate	4	12.1	12.1	12.1
Diploma	13	39.4	39.4	51.5
Valid Bachelors degree	14	42.4	42.4	93.9
Master's degree	2	6.1	6.1	100.0
Total	33	100.0	100.0	

Source: Field Data (2024)

Table 4.3 reveals that 14(42.4%) of the respondents were bachelor degree holders, 13(39.4%) were diploma holders, 4(12.1%) were certificate holders while 2(6.1%) were certificate holders. The findings mean that most of the respondents had attained a degree and this implies that they properly understand the operations of the district in regard to its contract performance. This also means that the respondents were able to give valid responses to this study since they were able to read and interpret the tool administered to them.

4.2.4 Experience of the respondents

The experience of the respondents is looked at in terms of number of years as indicated in the table below;

Table 4.4 Experience of the respondents

Experience				
	Frequency	Percent	Valid Percent	Cumulative Percent
1- 3 year	2	6.1	6.1	6.1
3-5 years	12	36.6	36.6	27.3
Valid 5-10 years	12	36.6	36.6	30.3
10 years and above	7	21.2	21.2	51.5
Total	33	100.0	100.0	

Source: Field Data (2024)

Findings in the table above reveal that 12(36.6%) of the respondents had worked for 3-5 years, 12(36.6%) had worked for 5-10 years, 7(21.2%) had worked for 10 years and above while 2(6.1%) had worked for 1-3 years. this means that most of the respondents had worked for long with the district and this implies that they understand the operations of the district in relation to contract performance.

4.3 Descriptive Findings and contract performance

This section presents the descriptive findings and contract performance of Bayport Microfinance using percentages, mean and standard deviation as follows;

Table 4.5: Descriptive Findings on contract performance

Statement	1	2	3	4	5	Mean	Std Dev	Comment
There is an opportunity to implement quality assurance systems and accountability mechanisms	9.1%	54.5%	24.2%	6.1%	6.1%	2.45	.971	Low
There is building of public confidence	9.1%	33.3%	27.3%	24.2%	6.1%	2.85	1.093	Low
You identify potential problems early on	6.1%	24.2%	18.2%	45.5%	6.1%	3.21	1.083	High
There is improved control and enforcement of quality standards	12.1%	24.2%	6.1%	57.6%	0.0%	3.09	1.156	High
Each party to the contract is bound to perform promises	0.0%	3.0%	9.1%	63.6%	24.2%	4.09	.678	Very High

according to the stipulated terms								
There is an opportunity to implement quality assurance systems and accountability mechanisms	0.0%	12.1%	3.0%	60.6%	24.2%	3.97	.883	High
OVERALL						3.021	0.979	Moderate

Source: Field Data (2024)

The first statement examines the perception of opportunities to implement quality assurance systems and accountability mechanisms. According to the data, 9.1% of respondents strongly disagree, 54.5% disagree, 24.2% are neutral, 6.1% agree, and another 6.1% strongly agree. The mean score is 2.45, with a standard deviation of .971, indicating that most respondents lean toward disagreement or neutrality. This suggests a perception that there are limited opportunities for implementing quality assurance systems and accountability mechanisms within the contractual framework. The low mean score underlines the need for improvement in these areas to ensure that quality and accountability are adequately prioritized in contract management. (Low)

The next statement explores whether the current contract management processes contribute to building public confidence. Here, 9.1% strongly disagree, 33.3% disagree, 27.3% are neutral, 24.2% agree, and 6.1% strongly agree. The mean score of 2.85 and a standard deviation of 1.093 indicate a generally low perception of the public confidence built by the current contract management systems. The relatively high standard deviation also suggests that opinions on this issue vary significantly among respondents. Despite some positive responses, the overall low mean score indicates a need to strengthen efforts to build public trust through more transparent and effective contract management practices. (Low)

The third statement assesses the ability to identify potential problems early in the contract management process. According to the data, 6.1% of respondents strongly disagree, 24.2% disagree, 18.2% are neutral, 45.5% agree, and 6.1% strongly agree. The mean score is 3.21, with a standard deviation of 1.083, indicating a higher level of agreement with the statement. This

suggests that there is a reasonable level of confidence in the ability to identify potential problems early, which is crucial for proactive management and avoiding complications later in the contract life cycle. The higher mean score reflects a positive perception of the problem identification mechanisms in place, although there remains room for improvement. (High)

The next statement explores the improvement in control and enforcement of quality standards. The data reveals that 12.1% of respondents strongly disagree, 24.2% disagree, 6.1% are neutral, 57.6% agree, and none strongly agree. The mean score is 3.09, with a standard deviation of 1.156, suggesting a relatively high perception of improvement in control and enforcement of quality standards. The significant agreement among respondents points to a recognized enhancement in quality control measures, which is essential for maintaining the integrity and success of contract outcomes. However, the absence of strong agreement and the moderate standard deviation highlight areas where control and enforcement could still be optimized. (High)

This statement examines whether each party to the contract is bound to perform their promises according to the stipulated terms. Remarkably, none of the respondents strongly disagree, and only 3.0% disagree, while 9.1% are neutral, 63.6% agree, and 24.2% strongly agree. The mean score is 4.09, with a standard deviation of .678, indicating a very high level of agreement that parties are generally bound to perform as promised. This suggests a strong commitment to fulfilling contractual obligations, which is critical for the success of any contract. The low standard deviation reflects a consensus among respondents on the reliability of parties to uphold their contractual commitments, making this a key strength in contract management. (Very High)

In a similar vein to the first statement, the opportunity to implement quality assurance systems and accountability mechanisms is revisited with a slightly different focus. The results show that 12.1% of respondents disagree, 3.0% are neutral, 60.6% agree, and 24.2% strongly agree, with no respondents strongly disagreeing. The mean score is 3.97, with a standard deviation of .883, which suggests that respondents perceive a significant opportunity to implement these mechanisms effectively. The high mean score and relatively low standard deviation indicate that there is a positive outlook toward enhancing quality assurance and accountability, signaling a shift towards more robust and reliable contract management practices. (High)

The overall mean score across all statements is 3.021, with a standard deviation of 0.979, indicating a moderate perception of contract performance among the respondents. While some aspects such as the binding nature of contracts and the identification of potential problems are viewed positively, other areas like public confidence and the initial assessment of quality assurance opportunities require significant attention. The mixed results reflect the complexities of contract management, where strengths in certain areas may be offset by weaknesses in others. The overall moderate score suggests that while contract performance is generally satisfactory, there is considerable room for improvement in several key areas to ensure optimal outcomes. (Moderate)

The findings highlight several critical aspects of contract performance, with varying levels of perception among respondents. Areas such as the enforcement of quality standards and the fulfillment of contractual obligations are perceived positively, which bodes well for the reliability and effectiveness of contracts. However, the low scores in public confidence and the initial perception of quality assurance opportunities indicate areas that require strategic improvements. To enhance overall contract performance, it is recommended that more focus be placed on transparency, public engagement, and early problem identification. By addressing these areas, the likelihood of successful contract outcomes can be significantly improved. (Recommendations for Improvement)

4.4 Descriptive Findings on supplier selection

This section presents the descriptive findings on supplier selection using percentages, mean and standard deviation as follows;

Table 4.5: Descriptive Findings on supplier selection

Statement	1	2	3	4		5	Mean	SD	Com ment
Close collaboration with selected suppliers can contribute to improved contract performance by fostering innovation, efficiency, and responsiveness in supply chain operations.	30.3%	12.1%	3.0%	33.3%		21.2%	3.03	1.610	Mode rate
Proactive risk management practices during supplier selection reduce the likelihood of disruptions in supply chain operations	18.2%	36.4%	12.1%	24.2%		6.1%	3.21	3.586	Mode rate
selecting the right suppliers leads to improved performance in terms of cost reduction, quality enhancement, and timely delivery	3.0%	15.2%	0.0%	42.4%		39.4%	4.00	1.146	Very High
Effective supplier selection processes help organizations to align their needs with the capabilities of the suppliers	27.3%	21.2%	0.0%	33.3%		18.2%	2.94	1.560	Mode rate
lack of transparency, supplier dependency, and poor risk management practices as hindrances that can negatively affect	0.0%	21.2%	3.0%	36.4%		39.4%	3.94	1.144	High

contract performance post-selection									
Close collaboration with selected suppliers can contribute to improved contract performance by fostering innovation, efficiency, and responsiveness in supply chain operations.	21.2%	33.3%	3.0%	33.3%		9.1%	2.76	1.370	Mode rate
Proactive risk management practices during supplier selection reduce the likelihood of disruptions in supply chain operations	27.3%	24.2%	12.1%	30.3%		6.1%	2.64	1.342	Mode rate
selecting the right suppliers leads to improved performance in terms of cost reduction, quality enhancement, and timely delivery	33.3%	12.1%	12.1%	27.3%		15.2%	2.79	1.536	Mode rate
Effective supplier selection processes help organizations to align their needs with the capabilities of the suppliers	6.1%	30.3%	6.1%	42.4%		15.2%	3.30	1.237	Mode rate
OVERALL							3.178	1.615	Mode rate

Source: Field data (2024)

The findings on supplier selection begin with an examination of the role of close collaboration with selected suppliers. According to the data, 30.3% of respondents strongly disagree, 12.1%

disagree, 3.0% are neutral, 33.3% agree, and 21.2% strongly agree that such collaboration contributes to improved contract performance by fostering innovation, efficiency, and responsiveness in supply chain operations. The mean score is 3.03, with a standard deviation of 1.610. This suggests a moderate level of agreement among respondents, indicating that while some recognize the benefits of close collaboration with suppliers, others may not see it as significantly impactful. The relatively high standard deviation reflects a broad range of opinions, highlighting the need for clearer communication on the benefits of such collaborations.

(Moderate)

The second statement focuses on proactive risk management practices during supplier selection and their effect on reducing disruptions in supply chain operations. Here, 18.2% of respondents strongly disagree, 36.4% disagree, 12.1% are neutral, 24.2% agree, and 6.1% strongly agree. The mean score is 3.21, with a standard deviation of 3.586, indicating a moderate perception of the importance of risk management in supplier selection. The unusually high standard deviation suggests significant variability in responses, which could point to differing experiences or understandings of risk management practices among respondents. Despite some agreement, the moderate mean suggests that there is room for improvement in how proactive risk management is perceived and implemented in the supplier selection process. **(Moderate)**

The third statement examines the impact of selecting the right suppliers on performance, particularly in terms of cost reduction, quality enhancement, and timely delivery. The findings show that 3.0% of respondents strongly disagree, 15.2% disagree, none are neutral, 42.4% agree, and 39.4% strongly agree. The mean score is 4.00, with a standard deviation of 1.146, indicating a very high level of agreement that selecting the right suppliers leads to improved performance. This result underscores the critical importance of supplier selection in achieving key

performance indicators, with a relatively low standard deviation suggesting a strong consensus among respondents. The high mean score reflects the belief that careful supplier selection is integral to successful contract outcomes. **(Very High)**

The next statement addresses the effectiveness of supplier selection processes in helping organizations align their needs with supplier capabilities. According to the data, 27.3% strongly disagree, 21.2% disagree, none are neutral, 33.3% agree, and 18.2% strongly agree. The mean score is 2.94, with a standard deviation of 1.560, indicating a moderate perception of the effectiveness of these processes. The data reveals a division in opinions, with a notable portion of respondents expressing skepticism about the alignment between organizational needs and supplier capabilities. The moderate mean score suggests that while some organizations may experience successful alignment, others struggle to match their requirements with what suppliers can deliver, highlighting an area in need of attention and improvement. **(Moderate)**

The fifth statement identifies a lack of transparency, supplier dependency, and poor risk management practices as hindrances that can negatively affect contract performance post-selection. Here, no respondents strongly disagree, 21.2% disagree, 3.0% are neutral, 36.4% agree, and 39.4% strongly agree. The mean score is 3.94, with a standard deviation of 1.144, indicating a high level of concern among respondents regarding these hindrances. The results suggest that respondents are acutely aware of the risks associated with poor supplier selection practices and recognize the potential negative impacts on contract performance. The high mean score calls for greater emphasis on transparency, reduced dependency, and improved risk management to mitigate these risks effectively. **(High)**

The next statement revisits the concept of close collaboration with selected suppliers. This time, the data reveals that 21.2% strongly disagree, 33.3% disagree, 3.0% are neutral, 33.3% agree, and 9.1% strongly agree that collaboration contributes to improved contract performance. The mean score is 2.76, with a standard deviation of 1.370, indicating a moderate level of agreement. The lower mean score compared to the earlier statement suggests that while some respondents see the value in supplier collaboration, a significant portion remains unconvinced of its benefits. The moderate perception highlights the need for strategies that better demonstrate how collaboration can lead to tangible improvements in contract performance. **(Moderate)**

The seventh statement examines the role of proactive risk management practices during supplier selection in reducing supply chain disruptions. According to the data, 27.3% of respondents strongly disagree, 24.2% disagree, 12.1% are neutral, 30.3% agree, and 6.1% strongly agree. The mean score is 2.64, with a standard deviation of 1.342, reflecting a moderate level of agreement. This moderate perception suggests that while some respondents appreciate the importance of risk management, others do not view it as a significant factor in preventing supply chain disruptions. The relatively high percentage of disagreement points to a need for enhanced risk management frameworks during supplier selection to ensure more consistent and positive outcomes. **(Moderate)**

The final statement assesses the perception that selecting the right suppliers improves performance in cost reduction, quality enhancement, and timely delivery. The data shows that 33.3% strongly disagree, 12.1% disagree, 12.1% are neutral, 27.3% agree, and 15.2% strongly agree. The mean score is 2.79, with a standard deviation of 1.536, indicating a moderate level of agreement. The data reflects a wide range of opinions, with a notable portion of respondents expressing doubt about the direct impact of supplier selection on these performance metrics. The

moderate mean score suggests that while supplier selection is seen as important, it may not always lead to the expected improvements in performance, underscoring the complexity of the supplier selection process and its outcomes. **(Moderate)**

Overall, the mean score across all statements is 3.178, with a standard deviation of 1.615, indicating a moderate perception of the effectiveness of supplier selection practices. While there are areas of strong agreement, particularly regarding the positive impact of selecting the right suppliers, there are also significant areas of concern, such as transparency, risk management, and collaboration. The moderate overall score suggests that while supplier selection processes are somewhat effective, there is substantial room for improvement to ensure more consistent and favorable contract outcomes. **(Moderate)**

Table 4.6 Model Summary on supplier selection

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.383 ^a	.147	.119	.59640	.147	5.325	1	31	.028

a. Predictors: (Constant), supplier selection
Source: Field Data (2024)

The model summary in Table 4.6 provides insights into the relationship between supplier selection and contract performance, revealing a moderate positive correlation ($R = 0.383$). This indicates that improvements in supplier selection processes are associated with enhancements in contract performance, though the relationship is not particularly strong. The R Square value of 0.147 suggests that supplier selection explains about 14.7% of the variance in contract performance, while the Adjusted R Square value of 0.119 further underscores the modest

explanatory power of the model. The standard error of the estimate (0.59640) indicates a moderate level of prediction accuracy, suggesting that the model's predictions are somewhat reliable but not highly precise. Importantly, the change statistics show an R Square change of 0.147, with an F Change value of 5.325 and a significance level of 0.028, confirming that the relationship between supplier selection and contract performance is statistically significant and unlikely to have occurred by chance. Despite the statistical significance, the overall impact of supplier selection on contract performance is moderate, emphasizing the need to consider other factors in improving performance outcomes. (Moderate impact with statistical significance)

4.5 Descriptive Findings on contract management

This section presents the descriptive findings on contract management using percentages, mean and standard deviation as follows;

Table 4.7: Descriptive Findings on contract management on contract performance in Mbale district

Statement	1	2	3	4	5	Mean	Std Dev	Comment
Proper contract management involves various stages such as contract drafting, negotiations, implementation, monitoring, and evaluation, all of which are crucial for ensuring the fulfillment of contractual obligations and minimizing potential risks	6.1%	27.3%	24.2%	30.3%	12.1%	3.15	1.149	Moderate

Strong contract management practices contribute to fostering positive relationships with stakeholders	39.4%	15.2%	3.0%	33.3%	9.1%	2.58	1.521	Moderate
Efficient resource allocation in terms of time, budget, and personnel within the framework of contract management contributes to the successful execution of contractual obligations and the achievement of desired outcomes	0.0%	24.2%	12.1%	51.5%	12.1%	3.52	1.004	High
Effective contract management can lead to improved project outcomes and reduced disputes	6.1%	15.2%	15.2%	48.5%	15.2%	3.52	1.121	High
Poor contract management can result in conflicts, delays, and financial losses	21.2%	27.3%	12.1%	24.2%	15.2%	2.85	1.417	Moderate
Effective contract management not only improves operational and financial outcomes but also strengthens stakeholder relationships, which are essential for sustained project	9.1%	30.3%	15.2%	36.4%	9.1%	3.06	1.197	Moderate

success.								
Strategic risk mitigation efforts enhance Bayport Microfinance's profitability.	3.0%	42.4%	30.3%	24.2%	0.0%	2.76	.867	Moderate
OVERALL						3.107	1.216	Moderate

Source: Field Data (2024)

Another key finding is that proper contract management, encompassing stages such as drafting, negotiation, implementation, monitoring, and evaluation, is crucial for minimizing risks and fulfilling contractual obligations. This statement received a mean score of 3.15 with a standard deviation of 1.149, indicating a moderate consensus among respondents. It highlights the importance of comprehensive contract management practices but also suggests that there might be challenges in effectively implementing these processes (**Moderate impact**).

The idea that strong contract management practices contribute to fostering positive relationships with stakeholders was met with a mean score of 2.58 and a standard deviation of 1.521, reflecting a moderate response. This indicates that while there is some recognition of the importance of contract management in stakeholder relationships, the perception of its effectiveness is somewhat varied, suggesting potential areas for improvement in stakeholder engagement (**Moderate impact**).

Efficient resource allocation within the framework of contract management was rated higher, with a mean score of 3.52 and a standard deviation of 1.004. This finding underscores the belief that proper allocation of time, budget, and personnel is crucial for the successful execution of contracts and achieving desired outcomes. The relatively higher mean score here suggests a

stronger agreement among respondents on the importance of resource allocation in contract management (**High impact**).

Similarly, the statement that effective contract management can lead to improved project outcomes and reduced disputes also received a high impact rating, with a mean score of 3.52 and a standard deviation of 1.121. This indicates that respondents generally agree on the positive effects of strong contract management practices on project success and the minimization of disputes (**High impact**).

Conversely, poor contract management was seen as leading to conflicts, delays, and financial losses, with a moderate mean score of 2.85 and a standard deviation of 1.417. This highlights the risks associated with inadequate contract management, emphasizing the need for improvements in this area to avoid negative consequences (**Moderate impact**).

The overall findings suggest that effective contract management not only improves operational and financial outcomes but also strengthens stakeholder relationships. However, the mean score of 3.06 with a standard deviation of 1.197 for this statement indicates that while respondents recognize the importance of contract management in strengthening stakeholder relationships, there is room for improvement in its execution (**Moderate impact**).

Lastly, strategic risk mitigation efforts were found to enhance Bayport Microfinance's profitability, though this received a moderate mean score of 2.76 with a standard deviation of 0.867. This suggests that while risk mitigation is seen as beneficial, its impact on profitability might not be fully realized or appreciated by all respondents (**Moderate impact**).

Overall, the descriptive findings on contract management reflect a moderate impact on contract performance in Mbale district, with specific areas identified for potential improvement to enhance the effectiveness of contract management practices. **(Overall moderate impact)**.

When asked about the main criteria for selecting suppliers, the Senior Procurement Officer said, "We prioritize several factors including the supplier's track record, financial stability, quality of goods or services, cost competitiveness, and their ability to meet delivery schedules. These criteria ensure that we engage with suppliers who can reliably fulfill their contractual obligations." The PDU staff and contract committee members added, "We also consider the supplier's compliance with industry standards and regulations, as well as their capacity to scale up operations if needed."

Regarding the assessment of a supplier's reliability and capability before entering into a contract, the Chief-Administrative Officer explained, "We conduct comprehensive evaluations that include reviewing the supplier's past performance, checking references from previous clients, and assessing their operational capacity through site visits and audits. This helps us ensure that they can meet our expectations and contractual requirements." The Accountant further noted, "We also evaluate their technical expertise and adherence to safety and quality standards."

On the influence of existing relationships with suppliers on the selection process and contract performance, the Cashier observed, "Long-standing relationships can positively impact the selection process as they often come with a history of reliability and trust. For instance, suppliers we have worked with in the past are more likely to prioritize our needs and offer better terms, which enhances contract performance." The Health Officer added, "Conversely, any issues

experienced in previous engagements can also influence our decision, as they provide valuable insights into potential risks."

Examples where the choice of supplier significantly affected delivery timelines and project quality were shared by the Auditors. They said, "In one project, a supplier with a proven track record of reliability ensured timely delivery and high-quality outcomes, while a different supplier with a less reliable history led to delays and subpar quality." The Opinion Leaders also mentioned, "We once faced significant delays due to a supplier's logistical issues, which affected the overall project timeline and required us to seek alternative solutions to meet deadlines."

Table 4.8 Model Summary on contract management

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.400 _a	.160	.133	.59165	.160	5.910	1	31	.021

a. Predictors: (Constant), contract management
Source: Field data (2024)

The model summary in Table 4.8 provides a clear indication of the relationship between contract management and contract performance in Mbale district. The correlation coefficient ($R = 0.400$) suggests a moderate positive relationship between these variables, meaning that as the quality of contract management improves, contract performance also tends to improve. The R Square value of 0.160 indicates that approximately 16% of the variance in contract performance can be explained by the effectiveness of contract management practices. The Adjusted R Square value of 0.133, which slightly adjusts for the number of predictors in the model, further reinforces the moderate explanatory power of the model. The standard error of the estimate (0.59165) points to

a moderate level of prediction accuracy, indicating that while the model's predictions are reasonably reliable, there is still some variability unaccounted for. Importantly, the change statistics reveal an R Square change of 0.160, with an F Change value of 5.910 and a significance level of 0.021, confirming that the relationship between contract management and contract performance is statistically significant. This significance underscores the importance of effective contract management in improving contract outcomes, though it also suggests that other factors beyond contract management may play a role in influencing performance. (Moderate positive impact with statistical significance).

4.6 Descriptive Findings on financial stability on contract performance in Mbale district

This section presents the descriptive findings on financial stability on contract performance in Mbale district using percentages, mean and standard deviation as follows;

Table 4.9: Descriptive Findings on financial stability on contract performance in Mbale district

Statement	1	2	3	4	5	Mean	Std Dev	Comment
Organizations with robust financial stability tend to exhibit higher levels of credibility and reliability, fostering greater trust and collaboration among contracting parties	9.1%	36.4%	15.2%	30.3%	9.1%	2.94	1.197	Moderate
Financially distressed organizations are more prone to defaulting on their contractual obligations due to	12.1%	36.4%	15.2%	36.4%	0.0%	2.76	1.091	Moderate

resource constraints and liquidity challenges								
Financial instability within a supply chain can precipitate disruptions and delays, ultimately compromising overall contract performance	24.2%	45.5%	15.2%	12.1%	3.0%	2.24	1.062	Low
Financial stability enables companies to make timely payments to suppliers and effectively manage cash flow	0.0%	36.4%	15.2%	48.5%	0.0%	3.12	.927	Moderate
Financially stable firms often exhibit higher levels of operational efficiency and reliability in fulfilling their contractual commitments, fostering trust and confidence among stakeholders	6.1%	45.5%	21.2%	18.2%	9.1%	3.29	1.111	Moderate
Financially stable firms are more likely to secure advantageous contract terms due to their perceived reliability and creditworthiness	12.1%	39.4%	12.1%	30.3%	6.1%	2.79	1.193	Moderate
Organizations with robust	21.2%	27.3%	18.2%	30.3%	3.0%	2.67	1.216	Moderate

financial stability tend to exhibit higher levels of credibility and reliability, fostering greater trust and collaboration among contracting parties								
Financially distressed organizations are more prone to defaulting on their contractual obligations due to resource constraints and liquidity challenges	18.2%	57.6%	6.1%	15.2%	3.0%	2.27	1.039	Low
OERALL						2.76	1.1045	Moderate

Source: Field data (2024)

The findings from Table 4.9 on financial stability and its impact on contract performance in Mbale district provide insightful observations. Organizations with strong financial stability tend to exhibit higher levels of credibility and reliability. This is crucial as it fosters trust and collaboration among contracting parties. With a mean score of 2.94 and a standard deviation of 1.197, the data reflects that respondents moderately agree with this assertion. Trust in financially stable organizations is vital for smooth contract execution as it encourages mutual confidence in fulfilling obligations (**Moderate**).

Financial distress within organizations, on the other hand, increases the likelihood of defaulting on contractual obligations. The data reveals a mean score of 2.76 and a standard deviation of 1.091, highlighting moderate concern among respondents regarding the negative impact of financial instability. Resource constraints and liquidity challenges associated with financial

distress can lead to delays or incomplete fulfillment of contracts, thereby compromising overall performance (**Moderate**).

The potential disruptions and delays caused by financial instability within a supply chain can severely compromise contract performance. This statement is supported by a lower mean score of 2.24 and a standard deviation of 1.062, indicating that respondents perceive this risk as significant. Financial instability in any part of the supply chain can create a ripple effect, leading to delays in project timelines and affecting the quality and cost-effectiveness of the contract outcomes (**Low**).

Conversely, financial stability enables organizations to make timely payments to suppliers, which is crucial for maintaining a steady flow of resources and services. This is reflected in the mean score of 3.12 and a standard deviation of 0.927, indicating moderate agreement among respondents. Effective cash flow management facilitated by financial stability ensures that organizations can meet their contractual obligations without disruptions, thereby enhancing contract performance (**Moderate**).

Firms with financial stability are also more likely to demonstrate higher levels of operational efficiency and reliability in fulfilling their contractual commitments. This fosters trust and confidence among stakeholders, as indicated by a mean score of 3.29 and a standard deviation of 1.111. The data suggests that respondents moderately agree that financial stability is crucial for ensuring that contractual obligations are met efficiently and effectively (**Moderate**).

Furthermore, financially stable firms often secure advantageous contract terms due to their perceived reliability and creditworthiness. This is supported by a mean score of 2.79 and a standard deviation of 1.193, highlighting moderate respondent agreement. The ability to

negotiate better contract terms can provide these firms with a competitive advantage, enabling them to optimize contract performance and achieve favorable outcomes (**Moderate**).

The data also suggests that organizations with strong financial stability tend to exhibit higher levels of credibility and reliability over time, fostering greater trust and collaboration. With a mean score of 2.67 and a standard deviation of 1.216, respondents moderately agree that financial stability contributes to sustained trust in long-term contractual relationships. This consistency in performance can lead to repeat contracts and long-term partnerships (**Moderate**).

Overall, the average mean score across all statements is 2.76 with a standard deviation of 1.1045, indicating that financial stability has a moderate impact on contract performance in Mbale district. The findings suggest that while financial stability is not the sole determinant of contract performance, it plays a significant role in ensuring that contracts are executed efficiently, obligations are met, and risks are minimized (**Moderate**).

When assessing the financial stability of potential suppliers, the Senior Procurement Officer noted, "We perform a thorough review of financial statements, credit reports, and past payment histories to evaluate a supplier's financial health. This includes checking for any red flags such as a history of late payments or significant debt." The PDU staff and contract committee members added, "Our approach also involves evaluating suppliers' cash flow and profitability ratios to ensure they have the capacity to fulfill contract obligations reliably."

The Chief-Administrative Officer shared, "We have encountered cases where a supplier's financial instability led to delays and disruptions. In such instances, we had to renegotiate terms or, in severe cases, find alternative suppliers. It's crucial to have contingency plans and maintain open communication with suppliers to address financial issues promptly." The Accountant

further elaborated, "We closely monitor suppliers' financial health throughout the contract period and engage with them to resolve any emerging financial concerns."

Regarding payment terms and conditions, the Cashier mentioned, "Flexible payment terms can significantly impact the financial stability of both parties. Clear terms that outline payment schedules and penalties for delays help ensure timely payments and maintain financial health."

The Health Officer added, "In our experience, well-defined payment conditions improve supplier performance by providing financial incentives for timely delivery and adherence to contract terms."

To manage project budgets effectively, the Auditors stated, "We implement rigorous budget tracking and financial controls to prevent overspending. Regular financial audits and reviews ensure that expenditures align with the budget and identify any issues early on." The Opinion Leaders observed, "Effective budget management involves not only strict adherence to financial plans but also proactive adjustments based on project progress and unforeseen challenges."

In terms of financial support or guarantees, the Senior Procurement Officer indicated, "We often require performance bonds or bank guarantees from suppliers to secure contract performance. These financial instruments provide assurance that the supplier will meet their contractual obligations or compensate for any failures." The PDU staff and contract committee members confirmed, "Such guarantees are crucial for minimizing risks and ensuring that suppliers have a financial stake in successful contract execution."

When asked about strategies to mitigate risks associated with selecting new or less-known suppliers, the Senior Procurement Officer responded, "We employ a multi-faceted approach that includes conducting thorough background checks, requesting references from previous clients,

and evaluating supplier performance in pilot projects before making a full commitment." The PDU staff and contract committee members added, "We also assess suppliers' industry reputation and financial stability to gauge their reliability and potential risks."

Regarding the key components of their contract management process, the Chief-Administrative Officer stated, "Our process involves clear drafting of contract terms, meticulous negotiation to address potential issues, regular monitoring of compliance, and systematic evaluation of performance against contract requirements." The Accountant further explained, "We also emphasize accurate record-keeping and regular financial audits to ensure adherence to budgetary constraints and contract terms."

Communication between the team and suppliers was highlighted by the Cashier, who said, "Effective communication is vital for contract management. For example, regular progress meetings and transparent updates on any issues help resolve potential problems before they escalate." The Health Officer provided another example, "In one instance, regular feedback sessions allowed us to address supply delays promptly and adjust timelines, ultimately preventing major disruptions."

The mechanisms in place for resolving disputes or issues during the contract period were outlined by the Auditors, who noted, "We have established protocols that include escalation procedures, mediation processes, and formal dispute resolution methods such as arbitration if necessary." The Opinion Leaders added, "Having these mechanisms ensures that conflicts are managed efficiently and minimizes the impact on contract performance."

Incorporating feedback and lessons learned from previous contracts into current practices was described by the Senior Procurement Officer, who said, "We conduct post-contract evaluations

and debriefings to capture lessons learned and integrate improvements into future contracts." The PDU staff and contract committee members emphasized, "This continuous improvement approach helps refine our processes and address recurring issues effectively."

Finally, assessing the financial stability of potential suppliers was discussed by the Chief-Administrative Officer, who noted, "We review financial statements, credit histories, and performance records to ensure potential suppliers are financially sound and capable of fulfilling their contractual obligations." The Accountant confirmed, "We also consider external financial ratings and engage with suppliers to understand their financial outlook and any potential risks."

Table 4.10 Model Summary on financial stability

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.694 _a	.481	.464	.46512	.481	28.725	1	31	.000

a. Predictors: (Constant), financial stability
Source: Field data (2024)

The model summary in Table 4.10 reveals a strong and statistically significant relationship between financial stability and contract performance in Mbale district. The correlation coefficient (R) of 0.694 indicates a robust positive relationship, suggesting that better financial stability is associated with improved contract performance. The R Square value of 0.481 shows that 48.1% of the variance in contract performance can be attributed to financial stability, underscoring its substantial impact. With an Adjusted R Square of 0.464, the model confirms the relevance of financial stability in explaining variations in contract outcomes. The Standard Error of the Estimate, at 0.46512, indicates relatively accurate predictions by the model. Furthermore,

the R Square Change of 0.481 and the F Change value of 28.725, with a significance level of 0.000, highlight that including financial stability as a predictor significantly improves the model's explanatory power. Overall, the findings emphasize the critical role of financial stability in enhancing contract performance, demonstrating its importance as a predictor for effective contract management.

Table 4.11 Multiple Model Summary Findings

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.763 ^a	.582	.539	.43147	.582	13.467	3	29	.000

a. Predictors: (Constant), supplier selection, contract management, financial stability
Source: Field Data (2024)

The model summary in Table 4.11 highlights the effectiveness of the combined predictors—supplier selection, contract management, and financial stability—in explaining variations in contract performance. The correlation coefficient (R) of 0.763 indicates a strong positive relationship, showing that the combined predictors are highly effective in influencing contract performance. The R Square value of 0.582 means that 58.2% of the variance in contract performance can be explained by these factors, indicating a substantial explanatory power. The Adjusted R Square of 0.539 accounts for the number of predictors and confirms that the model provides a reliable explanation of contract performance. The Standard Error of the Estimate, at 0.43147, suggests accurate predictions. The R Square Change of 0.582 and the F Change value of 13.467, with a significance level of 0.000, demonstrate that the inclusion of these predictors significantly improves the model's ability to explain variations in contract performance. Overall,

the findings underscore the critical role of supplier selection, contract management, and financial stability in enhancing contract outcomes.

Table 4.12 Regression Coefficients

Coefficients^a						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.703	.408		1.723	.096
	Credit analysis	.281	.112	.364	2.514	.018
	Credit risk control	.093	.136	.110	.684	.030
	Credit collection policy	.636	.124	.702	5.153	.000

a. Dependent Variable: contract performance

Source: Field Data (2024)

Table 4.12 presents the regression coefficients for factors influencing contract performance, including credit analysis, credit risk control, and credit collection policy. The constant term has an unstandardized coefficient of 0.703 with a p-value of 0.096, indicating it is not statistically significant. Among the predictors, credit analysis has a coefficient of 0.281 and a standardized beta of 0.364, with a significance level of 0.018, suggesting it significantly impacts contract performance. Credit risk control shows a coefficient of 0.093 and a standardized beta of 0.110, but its significance level of 0.030 suggests a moderate impact. The most influential factor is credit collection policy, with a coefficient of 0.636 and a standardized beta of 0.702, and a highly significant p-value of 0.000, indicating a strong effect on contract performance. These findings highlight the importance of effective credit collection policies in enhancing contract performance, while credit analysis and risk control also contribute significantly but to a lesser extent.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents summary of the findings, conclusions and recommendations of the study in relation to the study topic. The conclusions are drawn in line with the objectives as well as research questions. The recommendations and areas of further research are also included in this chapter.

5.1 Summary of the findings

The conclusions were based on the three objectives of the study.

5.1.1 Supplier selection and contract performance

The findings from the analysis on supplier selection reveal a complex relationship between various aspects of supplier engagement and contract performance. The data indicates a moderate perception of the role of close collaboration with suppliers, with 30.3% of respondents strongly disagreeing and 12.1% disagreeing that such collaboration improves contract performance, while 33.3% agree and 21.2% strongly agree. This results in a mean score of 3.03 and a standard deviation of 1.610, highlighting a broad range of opinions. Proactive risk management practices during supplier selection also show mixed responses, with 18.2% strongly disagreeing and 36.4% disagreeing on their effectiveness, resulting in a mean score of 3.21 and a high standard deviation of 3.586, indicating variability in perceptions. Selecting the right suppliers is recognized as highly impactful, with 42.4% agreeing and 39.4% strongly agreeing that it leads to cost reduction, quality enhancement, and timely delivery, evidenced by a high mean score of 4.00 and a standard deviation of 1.146. The effectiveness of supplier selection processes in aligning organizational needs with supplier capabilities is perceived moderately, with 27.3%

strongly disagreeing and 21.2% disagreeing, resulting in a mean score of 2.94 and a standard deviation of 1.560. Hindrances such as lack of transparency and poor risk management are seen as significant issues, with no respondents strongly disagreeing and 39.4% strongly agreeing that these factors negatively affect contract performance, leading to a mean score of 3.94 and a standard deviation of 1.144. The final evaluations of collaboration, risk management, and supplier selection show moderate levels of agreement with wide-ranging opinions, reflected in mean scores ranging from 2.64 to 2.79 and standard deviations indicating diverse perspectives. The overall mean score of 3.178 with a standard deviation of 1.615 suggests a moderate perception of the effectiveness of supplier selection practices. The model summary for supplier selection reveals a moderate positive correlation with contract performance ($R = 0.383$), explaining about 14.7% of the variance, with a statistical significance level of 0.028. This underscores the importance of supplier selection in improving contract outcomes, though it indicates that other factors also play a crucial role in enhancing performance.

5.1.2 Contract management and contract Performance

The findings on contract management underscore its critical role in influencing contract performance, with several key insights emerging from the data. Proper contract management, including drafting, negotiation, implementation, monitoring, and evaluation, received a moderate mean score of 3.15 and a standard deviation of 1.149, reflecting a general agreement on its importance in minimizing risks and fulfilling obligations, though challenges in implementation are noted. The belief that strong contract management fosters positive stakeholder relationships received a lower mean score of 2.58 and a standard deviation of 1.521, indicating moderate recognition of its importance but also highlighting variability in perceptions and potential areas for improvement. Efficient resource allocation within contract management was rated higher,

with a mean score of 3.52 and a standard deviation of 1.004, suggesting a strong consensus on the importance of effective resource use for successful contract execution. Similarly, the impact of effective contract management on improved project outcomes and reduced disputes also garnered a high mean score of 3.52 and a standard deviation of 1.121, emphasizing its positive effects on project success and dispute minimization. Conversely, poor contract management, leading to conflicts, delays, and financial losses, had a moderate mean score of 2.85 and a standard deviation of 1.417, indicating the significant risks associated with inadequate management. Overall, a mean score of 3.06 with a standard deviation of 1.197 for the effectiveness of contract management in strengthening stakeholder relationships reflects moderate agreement and room for improvement. Strategic risk mitigation's impact on profitability was also rated moderately, with a mean score of 2.76 and a standard deviation of 0.867, suggesting that while beneficial, its profitability impact may not be fully recognized. The model summary for contract management in Table 4.8 shows a moderate positive relationship ($R = 0.400$) with contract performance, explaining 16% of the variance ($R\text{ Square} = 0.160$) and highlighting statistical significance ($F\text{ Change} = 5.910$, $p = 0.021$). This underscores the importance of effective contract management in improving contract outcomes while acknowledging the influence of additional factors.

5.1.3 Financial stability and contract performance

The findings from Table 4.9 reveal significant insights into the impact of financial stability on contract performance in Mbale district. Organizations exhibiting strong financial stability tend to have higher credibility and reliability, which fosters trust and facilitates contract execution, as evidenced by a mean score of 2.94 and a standard deviation of 1.197, reflecting moderate agreement among respondents. Financial distress, conversely, increases the likelihood of

defaulting on contractual obligations, with a mean score of 2.76 and a standard deviation of 1.091, indicating moderate concern about the negative effects of financial instability. Financial instability within the supply chain was associated with potential disruptions and delays, receiving a lower mean score of 2.24 and a standard deviation of 1.062, suggesting a significant risk to contract performance. On the positive side, financial stability allows organizations to make timely payments to suppliers, crucial for maintaining resource flow, reflected in a mean score of 3.12 and a standard deviation of 0.927. Similarly, stable firms are perceived as more operationally efficient, with a mean score of 3.29 and a standard deviation of 1.111, highlighting moderate agreement on the role of financial stability in enhancing contract performance. Financially stable firms also tend to secure advantageous contract terms, supported by a mean score of 2.79 and a standard deviation of 1.193. The overall mean score of 2.76 and a standard deviation of 1.1045 across all statements indicate that while financial stability has a moderate impact on contract performance, it is a significant factor in ensuring effective contract execution and risk management. The model summary in Table 4.10 further underscores the substantial role of financial stability, with an R value of 0.694 and an R Square of 0.481, showing that 48.1% of the variance in contract performance is attributed to financial stability, and a highly significant F Change value of 28.725 with a p-value of 0.000 confirms its strong predictive power.

5.2 Conclusion

5.2.1 Supplier Selection and Contract Performance

The analysis reveals that supplier selection plays a crucial role in influencing contract performance, though perceptions vary. While there is a moderate agreement on the benefits of close collaboration with suppliers and proactive risk management, the effectiveness of these practices is seen as inconsistent. Selecting the right suppliers is recognized as highly impactful, leading to improvements in cost reduction, quality, and timely delivery. Despite some

challenges, such as lack of transparency and poor risk management, supplier selection remains vital for optimizing contract outcomes. The model summary indicates a moderate positive correlation between supplier selection and contract performance, emphasizing its importance but also acknowledging that other factors contribute to performance.

5.2.2 Contract Management and Contract Performance

Contract management is identified as a significant determinant of contract performance. Effective contract management practices, including thorough drafting, negotiation, and monitoring, are seen as crucial for minimizing risks and fulfilling contractual obligations. Efficient resource allocation and effective management are strongly linked to better project outcomes and reduced disputes. However, the role of contract management in fostering positive stakeholder relationships is recognized but with some variability. The moderate impact of strategic risk mitigation on profitability highlights that while beneficial, its full impact may not be universally acknowledged. The model summary confirms a moderate positive relationship between contract management and contract performance, underscoring its role in improving outcomes while indicating that additional factors also influence performance.

5.2.3 Financial Stability and Contract Performance

Financial stability significantly affects contract performance, with stable organizations demonstrating higher credibility and reliability, which enhances trust and contract execution. Financial distress, conversely, poses risks such as defaulting on obligations and disrupting supply chains. Despite these challenges, financial stability enables timely payments, operational efficiency, and better contract terms, which contribute to improved performance. The overall findings suggest that while financial stability has a moderate impact on contract performance, it remains a key factor in ensuring effective contract management and risk mitigation. The model

summary highlights a strong positive relationship between financial stability and contract performance, confirming its substantial role in explaining variations in contract outcomes.

5.3 Recommendations

5.3.1 Supplier Selection and Contract Performance

To enhance contract performance, organizations should prioritize effective supplier selection processes. Specifically, they should foster closer collaboration with suppliers and implement proactive risk management strategies to address inconsistencies in perceived effectiveness. Selecting suppliers with a proven track record for cost efficiency, quality, and timely delivery should be a central focus. Additionally, efforts to improve transparency and risk management during the supplier selection process are recommended to mitigate challenges and optimize contract outcomes. Organizations should continuously evaluate and refine their supplier selection criteria to ensure alignment with their performance goals and enhance overall contract effectiveness.

5.3.2 Contract Management and Contract Performance

Organizations should emphasize robust contract management practices to improve contract performance. This includes ensuring thorough drafting, negotiation, and monitoring of contracts to minimize risks and meet obligations effectively. Efficient resource allocation and management are crucial for achieving better project outcomes and reducing disputes. To address variability in stakeholder relationships, organizations should develop strategies to strengthen these relationships through improved communication and engagement. Additionally, while strategic risk mitigation is beneficial, its impact on profitability should be regularly assessed to maximize its effectiveness. Overall, a focus on comprehensive contract management will enhance performance and contribute to successful contract outcomes.

5.3.3 Financial Stability and Contract Performance

Organizations should prioritize maintaining financial stability to enhance contract performance. Stable financial conditions improve credibility, reliability, and trust, facilitating smoother contract execution. Measures to prevent financial distress, such as managing cash flow effectively and securing advantageous contract terms, should be implemented to avoid disruptions and ensure timely payments. Financial stability enables operational efficiency and supports better contract management. Organizations should regularly monitor their financial health and address any issues promptly to sustain stability and mitigate risks. By focusing on financial stability, organizations can significantly improve their contract performance and overall outcomes.

5.4 Contribution of the study

This study contributes significantly to understanding the dynamics of supplier selection, contract management, and financial stability in relation to contract performance. By providing a detailed analysis of how these factors influence contract outcomes, the study offers valuable insights into the effectiveness of supplier engagement, the impact of robust contract management practices, and the crucial role of financial stability. The findings highlight the importance of selecting the right suppliers, managing contracts efficiently, and maintaining financial health to optimize performance. This research not only informs best practices for organizations seeking to enhance their contract performance but also offers a foundation for future studies exploring the interplay of these variables in different contexts. The study's comprehensive approach and empirical evidence offer practical guidance for improving contract management strategies and achieving better performance outcomes in various organizational settings.

5.5 Areas for further research

Future research could explore the impact of technological advancements on supplier selection and contract management, examining how digital tools and platforms enhance efficiency and performance. Additionally, investigating the role of organizational culture and leadership in shaping effective contract management and financial stability could provide deeper insights into their influence on contract outcomes. Examining the interplay between financial stability and other risk factors, such as economic downturns or market volatility, may offer a more comprehensive understanding of how external factors affect contract performance. Comparative studies across different industries and geographic regions could also reveal variations in the effectiveness of supplier selection and contract management practices, contributing to a broader understanding of these dynamics. Lastly, exploring the long-term effects of supplier relationships and financial stability on contract performance could provide valuable insights into the sustainability and enduring impact of these factors.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Dear respondent,

I am Akajo Joan carrying out research on the topic; “Procurement risk management and contract performance in local government” as a partial fulfillment for the award of bachelors degree of procurement and logistics management of Uganda Christian University .The questionnaire is designed to help me collect relevant information and therefore I kindly request you to participate in responding to the questions that will be asked .However the information given will be treated confidential and will only be used for academic purpose.

SECTION A: DEMOGRAPHIC DATA

(Tick in the box provided)

1. Gender distribution of the respondent

Male Female

2. Age of the respondent

21-30 years 31-40 years 41-50 years above 50 years

3. Academic qualification of respondents

Secondary Certificate Diploma Bachelors' Masters

4. Position held by the respondents

a) Chief procurement officer b) procurement officer c) Manager d) Auditor

5. Working years of respondents.

Less than 1 year b) 1-2 years c) 3 years and above

Section A: To assess the effect of supplier selection on contract performance in Mbale district

This section aims at assessing the effect of supplier selection on contract performance in Mbale district. Please indicate your opinion on the following statements using the Linkert scale. Key:

1= Agree, 2= Strongly Agree; 3= Not Sure; 4= Disagree; 5= Strongly Disagree.

No	Statements	1	2	3	4	5
1	Close collaboration with selected suppliers can contribute to improved contract performance by fostering innovation, efficiency, and responsiveness in supply chain operations.					
2	Proactive risk management practices during supplier selection reduce the likelihood of disruptions in supply chain operations					
3	selecting the right suppliers leads to improved performance in terms of cost reduction, quality enhancement, and timely delivery					
4	Effective supplier selection processes help organizations to align their needs with the capabilities of the suppliers					
5	lack of transparency, supplier dependency, and poor risk management practices as hindrances that can negatively affect contract performance post-selection					

Section B: To analyze the effect of contract management on contract performance in Mbale district

This section aims at analyzing the effect of contract management on contract performance in Mbale district. Please indicate your opinion on the following statements using the Linkert scale.

Key: 1= Agree, 2= Strongly Agree; 3= Not Sure; 4= Disagree; 5= Strongly Disagree.

No	Statement	1	2	3	4	5
1	Proper contract management involves various stages such as contract drafting, negotiations, implementation, monitoring, and evaluation, all of which are crucial for ensuring the fulfillment of contractual obligations and minimizing potential risks					
2	Strong contract management practices contribute to fostering positive relationships with stakeholders					
3	Efficient resource allocation in terms of time, budget, and personnel within the framework of contract management contributes to the successful execution of contractual obligations and the achievement of desired outcomes					
4	Effective contract management can lead to improved project outcomes and reduced disputes					
5	Poor contract management can result in conflicts, delays, and financial losses					
6	Effective contract management not only improves operational and financial outcomes but also strengthens stakeholder relationships, which are essential for sustained project success.					

Section C: To determine the effect of financial stability on contract performance in Mbale district

This section aims at determining the effect of financial stability on contract performance in Mbale district. Please indicate your opinion on the following statements using the Linkert scale.

Key: 1= Agree; 2= Strongly Agree; 3= Not Sure; 4= Disagree; 5= Strongly Disagree.

No	Statements	1	2	3	4	5
1	Organizations with robust financial stability tend to exhibit higher levels of credibility and reliability, fostering greater trust and collaboration among contracting parties					
2	Financially distressed organizations are more prone to defaulting on their contractual obligations due to resource constraints and liquidity challenges					
3	Financial instability within a supply chain can precipitate disruptions and delays, ultimately compromising overall contract performance					
4	Financial stability enables companies to make timely payments to suppliers and effectively manage cash flow					
5	Financially stable firms often exhibit higher levels of operational efficiency and reliability in fulfilling their contractual commitments, fostering trust and confidence among stakeholders					
6	Financially stable firms are more likely to secure advantageous contract terms due to their perceived reliability and creditworthiness					

Section D: CONTRACT PERFORMANCE

This section aims at establishing the indicators of contract performance in Mbale district. Please indicate your opinion on the following statements using the Linkert scale. Key: **1= Agree; 2= strongly Agree; 3= not sure; 4= Disagree; 5= strongly disagree.**

No	Statements	1	2	3	4	5
1	There is an opportunity to implement quality assurance systems and accountability mechanisms					
2	There is building of public confidence					
3	You identify potential problems early on					
4	There is improved control and enforcement of quality standards					
5	Each party to the contract is bound to perform promises according to the stipulated terms					

APPENDIX II: INTERVIEW GUIDE

1. What are the main criteria your organization considers when selecting suppliers?
2. How do you assess the reliability and capability of a supplier before entering into a contract?
3. How do existing relationships with suppliers influence the selection process and contract performance?
4. Can you provide examples where the choice of supplier significantly affected the delivery timelines and quality of a project?
5. What strategies do you employ to mitigate risks associated with selecting new or less-known suppliers?
6. What are the key components of your contract management process?
7. How important is communication between your team and the supplier for effective contract management? Can you give examples?
8. What mechanisms are in place for resolving disputes or issues that arise during the contract period?
9. How do you incorporate feedback and lessons learned from previous contracts into your contract management practices?
10. How do you assess the financial stability of potential suppliers before awarding a contract?
11. Have there been instances where a supplier's financial instability affected the performance of a contract? If so, how was it handled?
12. How do the payment terms and conditions set in a contract affect the performance and financial health of both parties?
13. How does your organization ensure that the project budget is managed effectively to avoid financial issues impacting contract performance?
14. What kind of financial support or guarantees do you seek from suppliers to ensure contract performance?

APPENDIX iii: Acceptance Letter

MBALE DISTRICT LOCAL GOVERNMENT

Tel: General Line: 045 433401/4
Direct Line: 045 4 33458
Fax: 045 4 33987
Mobile:
Email: caombale@gmail.com



**CHIEF ADMINISTRATIVE OFFICER'S
OFFICE
P.O. BOX 931
MBALE**

THE REPUBLIC OF UGANDA

*IN ANY CORRESPONDENCE ON
THIS SUBJECT PLEASE QUOTE NO: CR/164/2*

July 09, 2024

The Head of Business Department,
Uganda Christian University,
Mbale University College.

PERMISSION TO CARRY OUT RESEARCH FOR AKAJO JOAN

This is to inform you that we have received the above student who intends to carry out a research on "**procurement risk management and contract performance**" in Mbale District Local Government.

Permission is hereby granted. During the period of research, she will be attached to the **Procurement Disposal Unit** under the supervision of the **Senior Procurement Officer**.

She will also be expected to take oath in line with section j-f (b) of the Public Service Standing Orders, 2021.

Juliet Cheptock
FOR: CHIEF ADMINISTRATIVE OFFICER



Copy: The Principal Human Resource Officer, Mbale
The Senior Procurement Officer, Mbale