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EFFECT OF CONTRACT COST CONTROL ON OPERATIONAL EFFICIENCY OF COMMERCIAL STATE CORPORATIONS IN KENYA

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ABSTRACT
Commercial state corporations are formed to offer essential goods and services to the general public. Despite governmenteffortstoimprovetheireffectiveness,commercialstatecorporationshavecontinuedtoperformdismally characterized by poor resource utilization leading to massive losses, increased customer complaints and frequent bailouts by the government over defaulted loans. Some studies have associated this with poor contract cost control howeverthemagnitudeofitseffectonoperationalefficiencyhasnotbeenestablished.Theobjectiveofthestudywas toestablishtheextenttowhichcontractcostcontrolaffectsoperationalefficiencyofcommercialstatecorporationsin Kenya.DescriptiveCross-sectionalresearchdesignwasused.Thetargetpopulationofthisresearchcomprisedthirty- three commercial state corporations in Kenya and a census was undertaken. The study utilized primary data. A questionnaire was used to collect primary data among the thirty-three commercial state corporations in Kenya. Multiple linear regression analysis was used to examine the relationship between variables and t-statistic at 5% significance level was employed in testing hypothesis. The overall significance was tested using F-test. The study established a positive significant effect of contract cost control on operational efficiency with regression coefficient of0.181 withap-value of0.006. Corporationsthatimplementcontractcost controlare ableto preventcostoverruns and complete contracts within the agreed budget thus providing rational utilization of resources and minimizing wastage thus increasing operational efficiency. The study recommends that to ensure effective contract cost control andguaranteethatcontractsarefulfilledwithinthesetcontractprice,anticipatedcostsshouldbeassessedandincluded in the budget.

Keywords:Contract cost control,Operational Efficiency and Commercial State Corporations

INTRODUCTION

Accordingto Abobakr (2018)contract cost control entails the means ofdeterminingand lowering a firm’s operating costsinorder to boost revenues withanaimofoptimizingthe use ofresources to providemaximumadvantage to all stakeholders involved. Commercial state corporations should carry out contract cost control so as to achieve cost savingsbyrevealingpossible sourcesofeconomyincontractimplementation,thusdelivering thecontract withinthe approved budget while avoiding cost overruns (Akeem, 2017). Commercial state corporations handle high value contracts which should be delivered at a specified cost within a given deadline thus contract cost control is vital (Presidential Taskforce on Parastatal Reforms (PPTR), Mohammed &Awuondo, 2013). Control of costs for any contractisessential sinceanydelayincompletionor costescalations mayleadtocostoverruns(Yegon, 2018).Thus it is vital to carry out contract cost control so as to minimize on the contract costs incurred in the contract execution and help ensure the contract is implemented for the amount agreed-upon thus providing efficient utilization of resources(Akeem,2017).Poorcontractcostcontrolcanleadtocostoverrunswhichnecessitateschannelingofmore resources for contract completion and delay in completion which would in turn hamper customer service provision.

Information Communication Technology(ICT) integration was used as a moderating variable and it involves collaborativecommunicationandtheintegrationoftelecommunicationandsoftwaretoolsincludingvisualandstorage programs which allowdifferent people to access, distribute, record, and manipulate information (Atieno,2014). ICT integration can be evaluated by presence of relevant ICT infrastructure in a firm and ICT competence of the staff involved.AfirmthatadoptsICTinitsoperationswillcontrolcostseffectivelyascomparedtothosethatlackICT.ICT integration provides a set of built in monitoring tools and automates the cost management systems which help to monitor contract costs thus reducing aspects of cost overruns and ensuring rational utilization of available resources (Igwe et al., 2020). Organizations that invest in ICT could reduce their operating costs and improve service quality (Muthuri, 2014; Gakuubi, 2018).

Operational efficiency can be measured using assets turnover, capital investment yield, sales turnover and equity return(Ndolo,2015),customersatisfaction(Akinriola,2019),resourceutilization(Khan&Shireen,2020)andwaste management (Nasra, 2014). This study measured operational efficiency in terms of customer satisfaction, resource utilizationandwastemanagementsincefrompreviousresearchthesearethemostcriticalaspectsthatentails operationalefficiency.Whenanorganizationisabletomaximizeoutputsandminimizeinputs,cutdownonwastages and enhance its capacity to offer customers high-quality goods and services it is deemed to be operating efficiently.

Akeem (2017) examined the effect of cost control and cost reduction techniques in organizational performance of companies in Nigeria. The study used purposive sampling to select a sample size of 50 respondents. A descriptive research design was used and a case studytechnique was employed. The studyestablished that cost control and cost reductiontechniqueshaveapositiveimpactonorganizationalperformance.Thisstudyusedpurposivesamplingand focused on organizational performance while the current study conducted a census and focused on operational efficiency.

Ayodele et al., (2014) studied the effect of contract cost control on building projects delivery in Nigeria. The study sought to determine the effects of cost control techniques on building projects delivery. The study adopted bill of quantities, cost documenting and cost records as the cost control techniques. The study adopted descriptive research design. Both primary and secondary data was used. The study observed that the use of bill of quantities as a cost control measure, cost documentingand keepingofcost records helped incost regulation. Highcosts were a result of the emergence of variations and fluctuations in the original plan.The above study used bill of quantities, cost documenting and cost records as the measures of contract cost control whilst the current study considered different measuresofcontractcostcontrolwhichincludedcostbudgeting,costmanagementsystemandcostdocumentingand assessed their effect on operational efficiency of commercial state corporations in Kenya.

An analysis of the determinants of procurement contract management on organizational productivity was done by (Ochola&Kitheka, 2019) in Kenya. It aimed to establish the significance of contract documentation, cost control, and contract monitoring for the productivity of the company. A case study research approach was applied and 70 respondents made up the sample. Structured questionnaires helped in obtaining primary data which was processed through quantitative techniques of information analysis and presented in terms of percentages and frequencies. Regression analysis was carried out sing SPSS version 21. The study used cost budgeting, cost management system and performance measures as the indicators of contract cost management. The results indicated that contract cost control displayed a moderate effect on efficiency within firms. In the aforementioned study, a case study research design and sample size of 70 respondents was used for research while the current study utilized a descriptive cross sectional study approach and considered a population of 33 respondents.

Mattoetal.,(2021)examinedtheinfluenceofprocurementcontractmanagementonvalueformoneyprocurementin Tanzania.Thestudyexaminedtheeffectofcontractcostcontrol,contracttime management,contractqualitycontrol andcontract formationonvalue for moneyprocurement.Thestudyusedcost budgetingandcostdocumentingas the measures of contract cost control. The study applied a cross sectional research design. Random sampling technique wasusedtoselectasamplesizeof164respondentsThestudyconcludedthatcontractformationandcontractquality controlweresignificantpredictorsofvalueformoneywhilecontractcostcontrolandcontracttimemanagementwere notsignificantaspectsthatpredictedvalueformoney.Thisstudyusedvalueformoneyas thedependentvariableand considered a sample size of 164 respondents and concluded that contract cost control did not affect value for money while the current study wascarried out in all the 33 commercial state corporations in Kenya using operational efficiency as the dependent variable to check whether different results will be obtained.

Lakayisenga and Mulyungi(2018) examined the impact of cost control on the performance of commercial banks in Rwanda: a case study bank of Kigali. The study sought to determine the effect of operational costs on performance. Thestudyutilizedadescriptiveresearchdesign.Primarydatawascollectedusinginterviewsandquestionnaires.The population of this study was 305 employees of Bank of Kigali from which a representative sample size of 75 respondentswasselected.Theresearcherconcludedasignificantpositivecorrelationbetweenoperationalcostcontrol andperformanceofbankofKigali.TheabovestudywascarriedoutamongcommercialbanksinRwanda,adopteda descriptive research design on a sample size of 75 respondents whereas the current study was carried out among the 33 commercial state corporations in Kenya using a descriptive cross sectional research design.

Rasheli(2016)investigatedprocurementcontractmanagementinTanzanianlocalmunicipalities.The mainaimwas investigatingthetransactioncostsincurred when handlingprocurementcontractsinupper and lower level municipal governments.Amultiplecasestudymethodologyandsecondarydata werebothemployed.Thesamplesize wasfive localgovernmentauthorities.Thestudyobservedthatthelowerlevelmunicipalgovernmentsincurexcessive transactioncostswhichisattributedtotheirinabilitytomanageprocurementcontractsamongwards.Thisstudyused secondarydata,appliedacasestudydesignandthesamplesizewasfiverespondentswhereasinthisanalysisprimary data was employed and a census was adopted on a population size of 33 respondents in assessing how contract cost control affects the operational efficiency of commercial state corporations in Kenya.

Gichuki (2014) examined the effect of cost management strategies on the financial performance of manufacturing companies listed on the Nairobisecuritiesexchange.This studysortto find theeffects of selected strategies namely; cost of labor, cost of distribution and cost of stock and their effects on financial performance of manufacturing companies. The study use causal research design specifically multi – variance linear regression model. Study population was six out of eight manufacturing companies listed, on Nairobi security exchange. The study findings revealedthatcostoflabor,distributionandstockwerepositivelyrelatedtofinancialperformanceofthemanufacturing companies. This study adopted cost of labor, cost of distribution and cost of stock as the indicators of cost control while the current studyused cost budgeting, cost documenting and cost management systemas measures ofcontract cost control in assessing its effect on operational efficiency of commercial state corporations in Kenya.

Siyanbolaand Raji(2013) carried outastudyontheimpactofcostcontrolonmanufacturingindustriesprofitability. Thestudyconsideredbudgetingas thebasictool forachievingeffectivecostcontrol.Data wascollected usingdirect interviews,observationsandtheuseofquestionnaire.Arepresentativesampleof74respondentswasdrawnfromthe employeesofWestAfricanPortlandCementcompany.Pearsoncorrelationmodelwasusedinanalyzingthedataand the hypothesis tested revealed that cost control had a positive effect on profitability of industries. The study further concludedthatbudgetasatool,canonlyhelpensureeffectivecostcontrol,whenactualcostsexpendedarecompared with planned cost and the variances are analyzed to see their causes in order for the management to take corrective actions. The study observed that Cost control had a positive impact on business profitability through reduction of wastages and losses; effective utilization of materials; labor resources and other inputs in the production cycle. The abovestudyusedcostbudgetingwhilethecurrentstudyadoptedcostdocumenting,costmanagementsystemandcost budgeting as measures of contract cost control to check whether different results would be obtained.

Malkanthietal.,(2017)analyzedtheimpactofcostcontroltechniquesoncostoverrunsinconstructionprojects.The study sought to determine the effect of cost estimating, cost budgeting and cost controlling. A questionnaire survey was conducted to collect the data. The data collected was analyzed by converting it into quantitative values using percentageanalysisandweightedscoreanalysis.Asamplesizeof23respondentswasselectedusingrandomsampling method. The studyfindingsindicated that the cost controllingpractices were important in minimizingthe cost overruns inorder to reduce overbudget and overheads while securing anticipated profits.The abovestudyused a sample size of23 respondentsand used cost overruns as the dependent variable while the current study was conducted inall the 33 commercial state corporations in Kenya using operational efficiency as the dependent variable to check whether different results would be obtained.

Lucy (2018) carried out a study on cost control measures on the performance of industries in Kampala District, Nakawa Division: A Case Study of Steel and Tube.The study considered having a cost management system as the measure of cost control and assessed its effect on firm performance. Exploratory research design was used A representativesampleof130respondentswasusedinthestudy.Primarydata wascollectedusingquestionnairesand interviews.Thestudyfindingsrevealedthattherewasapositiveeffectofcostcontrolonfirmperformance.Thestudy further found out that the organization had a costing system in place and therefore costs incurred in the organization were systematically controlled leading to high performance of the organization.The above study used exploratory researchdesignwhilethecurrentstudyusedadescriptivecrosssectionalresearchdesignandadoptedICTintegration asthe moderatingvariableininvestigatingtheeffectofcontractcostcontrolonoperationalefficiencyofcommercial state corporations in Kenya.

A study on integrating procurement contract management practices into the achievement of value for money was conducted by (Mchopa, 2015) in Tanzania. The study considered contract cost control as a procurement contract management practice and assessed its effect on the achievement of value for money. Cost control was measured in terms of use of contract budget. A case study research design was used. Purposive sampling technique was used to pick a sample of 48 respondents. Both primary and secondary data was used and the study did not use a moderating variable.Thisstudyusedbothprimaryandsecondarydataandappliedcasestudyresearchdesignwhereasthecurrent studyonlyusedprimarydata,adoptedICTintegrationasamoderatingvariableanddescriptivecrosssectionalresearch design to determine effect of contract cost control on operational efficiency of all commercial state corporations in Kenya.

Mwangi (2020) investigated impact of contract management techniques on how county governments performed in Kenya. The study examined the effect of contract cost control and contractor relationship management. The study adopted a descriptive survey design and chose a population of 96 respondents using random sampling. Primarydata was utilized and was collected using questionnaire. The study adopted cost flexibility, cost budgeting and cost managementsystemasthemeasuresofcontractcostcontrol.Theresearchshowedthatcontractcostcontrolimpacted the performance of county governments positively. The above study adopted descriptive research methodology and concludedthatcostcontrolaffectedperformancewhileinthisstudyacensustechniquewasusedinanalyzingwhether differentresultswouldbeobtainedindetermininghowcontractcostcontrolaffectsoperatingefficiencyofcommercial state corporations in Kenya.

Kipkemoi and Makori (2021) examined the influence of procurement contract management practices on operational efficiencyofstate corporations inKenya. The studysought to investigate the effect ofcontract cost control, contract qualitymanagementandcontracttimemanagementonoperationalefficiency.Thestudyadopteddescriptiveresearch design. The target population comprised of head of departments in state corporations in Kenya which totals to 162. Thisstudywasacensussurveyofall162statecorporationsinKenya.Primarydatawascollectedusingquestionnaires. The response rate of the study was 80%. The study conducted a correlation analysis to establish the strength of the relationship between the independent and the dependent variable and positive and significant relationships were established. The study found that procurement contract management had a positive effect on operational efficiency wheretherelationshipbetweencontractcostcontrolandoperationalefficiencywassignificant.Theabovestudywas conducted in all the state corporations and used a population size of 162 respondents. Based on the above study a methodological gap was identified. Thus, the current research sought to address this gap by using representative sample of 33 respondents and focusing only on commercial state corporations.

Yegon (2018) examined the determinants of procurement contract management in selected commercial state corporations in the county of Nakuru. The main objective of the study was to determine how contract requirements compliance, contract monitoring, cost management, and contract documentation affected procurement contract management. The study adopted a descriptive research methodology and the representative sample was 10 state corporations.Primarydatawasusedandwascollectedusingquestionnaires.Regressionanalysiswasusedtoevaluate thecollecteddataobtainedintheresearch.Thestudyemployedbudgetarycontrol,costcontrol,andcostmanagement systemastheindicatorsofcost management.Thestudyfound thatthere wasa moderate impactofcost management oncontract management.The above studywas restricted to 10 corporations in Nakuru County however, the present study assessed all of Kenya's commercial parastatals. In the current research different indicators of contract cost control namely cost budgeting, cost documenting and cost management system were used in exploring the effect of contract cost control on operational efficiency.

Whilepast studieshave not useda moderatorinvariablelinkage,thisstudyconceptualizedthattheeffectofcontract cost control on operational efficiency could differ for firms with different level of ICT integration and hence use of ICTwouldbridgeasignificantgapinliterature.Therefore,thisresearchestablishedtheeffectofcontractcostcontrol on operational efficiency and the moderating effect of ICT to this relationship.

ObjectiveoftheStudy

Theobjectiveofthestudywastodeterminetheeffectofcontractcostcontrolonoperationalefficiencyofcommercial state corporations in Kenya

$H0_1$: There is no statistically significant relationship between contract cost control and operational efficiency of commercial state corporations in Kenya

METHODOLOGY

The study adopted descriptive cross sectional research design since it facilitated in choosing and grouping of the components and features of object. The study covered all the 33 commercial state corporations in Kenya. Census techniquewasusedsincethepopulationwassmall.Primarydatawascollectedusingaquestionnaire.Descriptiveand Inferentialstatisticswereusedtoanalyzedata.SimpleandMultiplelinearregressionanalyseswerethenconducted using SPSS software version 28.0 in order to address the study objective. Assumption of linear regression model of multicollinearity, homoscedasticity, normality and autocorrelation were tested before analyzing the data.

RESULTSANDDISCUSSIONS

ContractCostcontrolandOperationalEfficiency

Contractcostcontrolwasmeasuredintermsoftermsofheadsofprocurementfunctionviewswhichwerebasedona five point Likert scale ranging from 1-strongly agree to 5- strongly disagree. Selected statements captured contract costcontrolindicatorsbasedontheliteraturereviewed.Therespondentswererequestedtoindicatetheextentatwhich they agreed or disagreed with the listed statements under contract cost control.

Table1:DescriptiveStatistics

DescriptiveStatistics	N	Min	Max	Mean	Std.Dev
Theprocessofbudgetdevelopmentensuresnonvalueadding costsareeliminated	33	2.00	3.00	2.214	.414
Theorganizationhasacostmanagementsystem	33	1.00	3.00	1.929	.375
The organization performs cost budgeting to ensure predefined costs are maintained	33	1.00	3.00	2.000	.381
Budgetsareusedasamonitoringtool	33	1.00	2.00	1.964	.187
Anticipatedcostsareestimatedandincorporatedintothebudget	33	2.00	5.00	1.365	.705
CostDocumentingiscarriedoutthroughoutthecontract implementationprocess	33	1.00	4.00	2.268	.863
Compositemeanandstandarddeviation				1.957	0.488
ValidN(listwise)	33				

Source:PrimaryData,(2022)

As showninTable 1 the studysought to determine whether budgets eliminated value addingcosts where anaverage of 2.214 and standard deviation of 0.414 with responses ranging from 2-3 was seen. This implied that respondents agreedthatbudgetseliminatedvalueaddingcosts.Oncostmanagementsystemandcostbudgeting,responsesranged from 1-3 with variable mean of 1.929 and 2.00 and variable spread of 0.375 and 0.381 respectively. This indicated that the organizations had a cost management system and cost budgeting was done to ensure procurement contracts arecompletedwithinthebudget.Onwhetherbudgetsareusedasamonitoringtoolanaverageof1.964anddeviation fromthemeanof0.187withresponsesrangingfrom1-2.Thisshowedthatrespondentsagreedthatbudgetswereused to monitor the costs of the contract.

On whether anticipated costs are incorporated into the budget. The item mean was 1.365 and standard deviation of 0.705 with responses ranging from 2-5 which showed that the respondents generally agreed that in the budget preparationprocessanticipatedcostswereincludedandincorporatedinbudgets.Costdocumentinghadameanof 2.268and a standard deviationof0.863 withresponses ranging from1-4 implyingthat respondentsagreed that costs incurred inthe contractimplementationprocesswere recorded.Theoverallmeanof1.957 and standarddeviationof 0.488showingthatrespondentsagreedthatcontractcostcontrolwasimplementedincommercialstatecorporations.

PearsonCorrelationbetweentheStudyVariables

Correlationdetermines the directionofa relationship betweenanytwo variables. Correlation was presented inTable 2.

Table32**:**PearsonCorrelationbetweenStudyVariables

Variables	OperationalEfficiency	ContractCostControl
OperationalEfficiency	1	0.322
ContractCostControl	0.322	1

Contract cost control and operational efficiency had a correlation coefficient of 0.322 with a p-value of 0.015< 0.05 thusindicatingastatisticallysignificantpositiverelationshipbetweencontractcostcontrolandoperationalefficiency. This implies that an increase in a unit of contract cost control would result to a statistically significant increase in operational efficiency. This is because contract cost control would minimize on the contract costs incurred in the contract execution and help ensure the contract is implemented for the amount agreed-upon thus providing efficient utilizationofresources.Contractcostcontrolensuresthatallcostexpendituresaredoneinaccordancewiththebudget thus eliminating unnecessary expenditures that would lead to more resource use than budgeted

MultipleLinearRegression

Thisstudydeterminedthesignificanceofcontractcostcontrolonoperationalefficiency.Amultiplelinearregression was used to examine the relationship between contract cost control and operational efficiency. A multiple linear regression was represented in Table 3.

Table33:CoefficientsEstimatesofContractCostControlonOperationalEfficiency

Model	UnstandardizedCoefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	1.098	0.387		2.835	0.007
ContractCostControl	0.181	0.063	0.340	2.858	0.006

R^2=0.246

Results in Table 3 above shows the regression coefficients of contract cost control was 0.181 with a p-value of 0.006<0.05hencecontractcostcontrolhadapositiveandstatisticallysignificanteffectonoperationalefficiency.The R-squared obtained was 0.246. The R-squared indicates that 24.6% of operational efficiency fluctuations may be attributedtotheindependentvariablecontractcostcontrol,whereas75.4%ofoperationalefficiencyvariationscanbe attributed to randomerror termor other factorsnotincluded inthe model. Thismeansthataunitincreaseincontract cost control would result to 0.181 units increase in operational efficiency holding other factors constant. Therefore, the null hypothesis was rejected and this implied that there is a statistically significant relationship between contract cost control and operational efficiency. The findings of this study shows that heads of procurement function agreed that budgets were developed and monitored to prevent cost overrun and this ensured that the contract was delivered within the agreed budget thus minimizing on the contract costs incurred thereby providing efficient utilization of resources leading to a rise in operational efficiency.

These results agree with (Ayodele*et al*., 2014) who stated that cost management methods contributed to cost regulation leading to delivery of building projects within the set budget and that high costs were as a result of deviations and fluctuations withthe original budget. The findings also concurred with those of(Mwangi, 2020) who concluded thatcontractcostcontrolimpacted theperformance ofKenyancountygovernmentspositively.Therefore, commercial state corporations should develop policies to ensure contract cost control is carried out for all contracts. These findings concur with transaction cost theory where contract cost control protects organization from opportunistic suppliers who could give them inflated cost charges that would increase their cost of operations and hinder their ultimate goal of achieving operational efficiency.

TestoftheModeratingEffect

Information Communication Technology Integration was hypothesized as moderating variable. When a moderating variableisintroduced,thedirectionorstrengthofthelinkbetweenthetwovariablesisaltered.Thetestofsignificance of moderating variable is summarized in Table 4

Table34:ModelSummary

Model	Coefficients	Stderror	t-statistic	p-value
Model1				
(Constant)	1.204	0.428	2.813	0.007
ICT	0.143	0.117	1.224	0.226
CCC	0.388	0.174	2.225	0.030
Model2				
(Constant)	11.531	4.486	2.570	0.013
ICT	-4.522	2.021	-2.237	0.030
CCC	-4.831	2.264	-2.134	0.038
ICT*CCC	2.358	1.020	2.312	0.025

R^2formodel1=0.108

R^2formodel2=0.191

The results in Table 4 above show that model 1 is significant at 5% significance level without the interaction effect that it had a t-statistic of 2.813 and a p-value of 0.007<0.005. Model 2 had a t-statistic of 2.570 and a p-value of 0.013<0.05 also significant at 5% significance level. Model 2 accounts for more variance in the interaction between ICTintegrationandcontractcostcontrol.TheRsquaredchangehadap-valueof0.011<0.005indicatingthatthereis potentiallysignificantmoderationofICTintegrationontherelationshipbetweencontractcostcontrolandoperational efficiency.TheeffectoftheinteractionbetweencontractcostcontrolandICTintegrationispositive.Thisimpliesthat an increase in contract cost control will lead to a rise in operational efficiency. Therefore, the effect of contract cost controlonoperationalefficiencyofcommercial statecorporationsdependsonICT integration.Converselythe effect of ICT integration on operational efficiency of commercial state corporations is dependent on contract cost control.

Table5:SummaryofRegression Model

Model	R	R^2	Adjusted R^2	F change	Sig F change
1	0.329	0.108	0.075	3.218	0.048
2	0.437	0.191	0.145	4.102	0.011

The results in table 5 above indicate that ICT integration alters the relationship between contract cost control and operational efficiency.

Theregressionequationforthetwomodelsare:

Model1 $OperationalEfficiency = 1.204 + 0.143ICT + 0.388CCC$

Model2 $OperationalEfficiency = 11.531 - 4.522ICT - 4.831CCC + 2.358ICT*CCC$

The adjusted $R^2$of the model without moderation was 0.075 whereas the adjusted R^2 of the model with interaction effect between contract cost control and ICT integration was 0.145 signifying there is an increase in the adjusted R^2. ThisimpliesthatICTintegrationaddsapredictivevaluetothemodel.Therefore,ICTintegrationhadapositiveeffect on the relationship between contract cost control and operational efficiency. This implies that an increase in ICT integration will result to a positive effect of contract cost control on operational efficiency.

DISCUSSION

Contract cost control was noted to exert positive and statistically significant influence on operational efficiency of commercialstatecorporationsinKenyawhereithadacoefficientof0.181andap-valueof0.006at5%significance level. This concurs with transaction cost theory where contract cost control protects organization fromopportunistic suppliers who could give them inflated cost charges that would increase their cost of operations and hinder their ultimate goal of achieving operational efficiency.

CONCLUSION

Contract cost control had a positive and statistically significant effect on operational efficiency hence the null hypothesisthatcontractcostcontrolhasnostatisticallysignificanteffectonoperationalefficiencyofcommercialstate corporationswasrejectedat95%degreeofconfidence.Thismaybeattributedtothefactthatwhencommercialstate corporations carry out contract cost control they are able to keep track of their expenditure. Contract cost control ensuresthatcontractsareexecuted withintheapproved budgetthusensuringresourcesare well utilized and wastage minimized thus affecting operational efficiency.

RECOMMENDATIONS

Commercial state corporations should develop budgets for all their contracts and regularly monitor their cost managementsystemtoavoid costoverruns.Toensureeffectivecontractcostcontrolandguaranteethatcontractsare fulfilled within the set contract price, anticipated costs should be assessed and included in the budgets of all commercial state corporations. The commercial state corporations should integrate ICT in their operations and leverage on new technology to reduce operating costs.

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