

## **INNOVATIVE CAPABILITY AND CONTRACT PERFORMANCE IN PUBLIC SECTOR PROCUREMENT: A CASE OF KAMPALA CAPITAL CITY AUTHORITY, UGANDA**

<sup>1\*</sup> **Deborah Nyambeki Ombui**

nyambekid@yahoo.com

Ndejje University, BOX 35581, Kampala, Uganda

---

**Abstract:** *Despite including dynamic capabilities in the contract performances of the Public sector, there is still persistent delays in delivery of supplies, services and works, poor quality goods and services and costly procurements hence the need for this study to examined the relationship between innovative capabilities and contract performance in public sector procurement. A cross-sectional quantitative design was used in the study with a sample of 63 respondents across all divisions of KCCA, but only 60 responses were obtained. The reliability of the data collection instrument was established using a Cronbach Alpha coefficient and a content validity index respectively was ensured by the supervisors. Data were analyzed using SPSS software with a focus on descriptive statistics, Pearson correlation and regression analyses. The Pearson correlation coefficients showed a positive and significant relationship between innovative capability and contract performance ( $r = .684^{**}$ ,  $sig. < .01$ ). Further, the regression analysis results indicated that innovative capability is a significant predictor of contract performance, accounting for 45.9% respectively. I recommend that there is need to always conduct research and development on the changing technology in the market, new products and services so as to develop new procurement methods and procedures of operation, and finally need to mobilize and allocate resources appropriately so as to respond to the changing environment.*

**Keywords:** *Kampala Capital City Authority (KCAA), Dynamic Capabilities, Contract Performance, Public Sector*

### **1. Introduction**

The study examined the relationship between innovative capability and contract performance in public sector procurement. Innovative capability being the independent variable of the study and contract performance being dependent variable which is measured by time, cost and quality dimensions. There are many public sector entities in Uganda offering many contracts, but the focus of this study is on KCCA, being a giant entity with several contractual problems. Contract performance is a very important factor used to determine the compliance level of several public entities. Despite the significant importance attached to it, most public entities have continued to exhibit unsatisfactory contract performance. Specifically, the chapter contains the background to the study, statement of the problem, objectives of the study, research questions, and scope of the study, justification of the study, significance of the study, theoretical framework, conceptual framework and definition of key concepts.

### **2. Historical background**

As the importance of internationalization grows for many firms around the globe, there is an increasing interest in the strategic determinants that predict contract performance. In fact, the intensity of business competition has increased considerably, forcing organizations to seek and adopt new management perspectives and

techniques relating to contract management (Franca & Rua, 2017). This would mean evaluating the performance of contracts against the key performance indicators. Traditionally, contract performance is described by the cost-time-quality triangle (Project Management Institute, 2008).

In countries like Kenya, Tanzania and Rwanda, during the public procurement process, a contracting authority puts a lot of time and effort into identifying reliable business partners, negotiating favourable terms, and ensuring a strong basis for the award decision. The reason is to ensure efficiency in contracts and value for money in the use of public funds whilst adhering to the requirements of the procurement law (Practical Seminar on Contract Management in Public Procurement). In Uganda, driven by considerations of value for money, transparency and accountability, the Public Procurement and Disposal of Asset (PPDA) Act together with its attendant regulations and guidelines provides significant opportunities and avenues for improved contract performance in PDEs. This includes incorporating adequate controls to promote competition and minimize the risk of fraud, corruption, waste and the mismanagement of public funds (PPDA Act, 2014; United Nations Office for Project Services (UNOPS) Report, 2012). But these efforts are never recognized as contracting parties continue to register poor performance (PPDA audit reports, 2016, 2017, 2018 & 2019; Office of the Auditor General Uganda Report, 2017). In other words, good contract performance remains a myth in most PDEs.

### **3. Theoretical background**

Dynamic capabilities as a derivative construct of dynamic capability theory (DCT) provide an appropriate theoretical lens through which to understand contract performance. Dynamic capabilities refer to the capacity of an organization to purposefully create, develop and protect resources allowing them to attain superior performance in the long run (Teece, 2007; Helfat et al., 2007). It relies more on real-time information, cross functional relationships and intensive communication among those involved in the process and with the external market (Eisenhardt & Martin, 2000). The theory presupposes that “organizations should have the ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece, Pisano & Shuen, 1997). It hints on the significance of revising and re-allocating resources as a response to changes in the environment with the purpose of meeting beneficiary or user requirements. There are three major component factors of dynamic capabilities which are correlated but different in concepts and these include; adaptive capability, absorptive capability and innovative capability.

### **4. Conceptual background**

CIPS (2012) defines contract performance as the conformance of contractor or supplier with contract terms, specifications, service level agreements or Key Performance Indicators (KPI) and other elements of the commercial agreement. Teece et al. (1997) provide the most cited definition: DC is “the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments”. Adaptive capability refers to the firm’s ability to timely adapt itself by aligning resources and capabilities with environmental changes. Absorptive capability takes external knowledge combines it with internal knowledge and absorb it for internal usage. Innovative capability is the ability to develop new changes by aligning strategic innovative orientation with innovative behaviours and processes (Wang & Ahmed, 2007). Therefore, organizations that develop these capabilities will be able to meet the needs of users, hence good contract performance. These capabilities enable organizations to create, develop and protect resources to achieve superior performance, are built (not acquired), experience dependent and are embedded in organizational processes (Ambrosini & Bowman, 2009).

## 5. Contextual background

Evidence shows that the Office of the Auditor General (OAG) Uganda report (2017) conducted an Engineering Audit of a sample of road and drainage construction contracts, which were being implemented by Kampala Capital City Authority (KCCA) in the FY 2016/17. It was observed that in the contract for Lot 2 and Lot 4 there were undocumented changes in the priced activity schedules for these contracts; Lot 2 contract by Energo Projekt Niskogradnja, had the activity schedules priced; culverts laid on Class A bedding, instead of Class B bedding on Waligo Road. Lot 4 implemented by Sterling Civil Engineering Ltd, had a number of stone pitching; cross sections showed vertical instead of the designed slopes. On Mengo Hill Road, most of the manholes have not been constructed to the right; shapes and reinforcement was not placed at the designed positions. In addition, three (03) of the lump-sum contracts, required the Contractor to provide a four-wheel drive double-cab pickup vehicle for the Employer at costs varying from UGX. 129,000,000 -155,000,000. Although under best practices, vehicles for the Employer do not constitute part of “Contractors equipment”, KCCA allowed the successful bidder, at negotiation stage, to front an argument that he thought the vehicles would belong to him after the end of the contract. The result is that KCCA committed to incur an additional UGX. 30,000,000 for each of the two vehicles, a cost which could have been avoided, if best practices had been followed. The bidder should have sought clarification at bidding stage, not at negotiation stage. KCCA incurred an additional obligation of UGX. 60,000,000 for the vehicles for the Employer during negotiations, which could have been avoided.

In the same vein, the authority experienced delayed deliveries of several supplies approximately above (10) days late or even more contrary to the actual expected days, posing difficulty in executing its daily activities. Also, during physical investigations, the audit team noted a number of defects in the on-going works. These included scouring of drainage channels for the drainage projects, cracks in stone pitching, collapsed headwalls, honeycombing to some concrete members including haunches and damaged road signage to mention but a few (Office of the Auditor General Uganda Report, 2017; KCCA Statutory Internal Audit Report, 2018/2019). All these are evidences of poor contract performance, hence dynamic capabilities such as adaptive, absorptive and innovative need to be examined critically to find out their influence on contract performance. Kampala Capital City Authority (KCCA) is a procuring and disposing entity with its headquarter situated along Nakasero Hill in the central business district of Kampala, southwest of Uganda. It is divided into five (5) divisions such as Kampala Central, Kawempe, Nakawa Makindye and Rubaga divisions. Several contracts are executed annually by all the divisions, making it a favourable entity to be studied.

With a lot of things to take care of in procurement, delivery time, cost and quality of contracts remain serious issues of discussion in both academic and professional disciplines. In fact, a lot has been written over the past years about contract performance and its associated barriers. However, no significant attention has been given to the link between dynamic capabilities and contract performance by researchers and scholars. Also, literatures seem not clear on what constitutes contract performance. This study therefore sought to address these issues by examining the relationship between dynamic capabilities (adaptive, absorptive, innovative) and contract performance in public sector procurement.

## 6. Literature review for innovative capability and contract performance

Incremental innovative capability can be defined as the ability “to generate innovations that refine and reinforce existing products and services”, whereas radical innovative capability is the ability “to generate innovations that significantly transform existing products and services” (Subramaniam & Youndt, 2005). The authors use this differentiator to distinguish between incremental innovative capabilities, which require a reinforcement of

prevailing knowledge, and radical innovative capabilities, which require a transformation of prevailing knowledge. For reasons of model parsimony, these two dimensions were aggregated into innovative capabilities (Subramaniam & Youndt, 2005). Research has found that innovative capabilities can be acquired from external organizations in inter-organizational collaboration (Hagedoorn & Duysters, 2002). Sher and Yang (2005), in their study found positive effects of innovative capabilities on performance. Additionally, Oltra and Flor (2003), show that innovative capabilities have an impact on innovation output. Therefore, innovative capabilities positively affect project and contract performance.

Innovation is often happened using open technologies and high-quality open resource and relies on a different kind of knowledge and information system. An organization's capability to innovate is the most crucial factor for performance in highly turbulent market condition. Innovation capability leads organization to develop innovations continuously to respond to the changing market environment and it's embedded with all the strategies, system and structure that support innovation in an organization (Slater, Hult & Olson, 2010; Gloet & Samson, 2016). Innovation literature claims that innovation is the most fundamental source for organization's success and survival in such a competitive complex and intellectual environment (Abbing, 2010; Cho & Pucik, 2005). Therefore, improving contract performance means developing innovative capability.

Innovation can only happen if the company or organization has the capacity to innovate (Laforet, 2011). Innovation capability is considered as the valuable assets for the firms to provide and sustaining good contract performance resulting into the implementation of the entire strategy or process. It is composed through the main process within the firm and cannot separate from the other practices (Lawson & Samson, 2001). It is tacit and non-modifiable and closely correlated with the experimental acquirement and interior experiences (Guan & Ma, 2003). The capability of innovation facilitates firms to improve contract performance quickly and adopt new systems to factor in the ongoing process. Innovation performance can be explained as combination of assets and resources. Therefore, it requires wide variety of resources, assets, and capabilities (Sen & Egelhoff, 2000) to drive through success in contract performance in rapidly changing environment. According to Adler and Shenbar (1990), innovation capability is defined as (1) the capacity of developing new products satisfying market needs; (2) the capacity of applying appropriate process technologies to produce these new products; (3) the capacity of developing and adopting new products and processing technologies to satisfy future needs; (4) and the capacity to respond to the accidental technology activities and unexpected opportunities created by other organizations. In other words, the relationship between innovation capability and contract performance is predominant.

Organizational innovation can lead to improvement in the contract performance by reducing administrative and transaction cost. The activities oriented toward the organizational change can be consequently linked to the organizational innovation (Tether & Tajar, 2008). Thus, these innovations are strongly connected with all the administrative efforts including renewing the organizational systems, procedures, routines to encourage the team cohesiveness, coordination, collaboration, information sharing practice and knowledge sharing and learning (Van der Aa & Elfring, 2002). According to Samuelides (2001), organizational innovation will help absorb the evolution and exploit them into innovation in order to achieve rampant growth and good contract performance. According to Oke (2007), innovations related to radical or incremental have given an interesting contribution to firm performance. It acts as an important determinant of contract performance in spite of the market upheaval in which the firm conducts (Hurley, Hult & Knight, 2005). Innovation process can be viewed as effective drivers for enhancing the innovation as well as improving contract performance (Lendel & Varmus, 2014). If an organization has available resources, innovativeness of the organizational culture facilitates to apply innovations. Firms or organizations that have high innovative capability will be more successful to

develop new capabilities that will cause response to environment (Hurley & Hult, 1998) which in turn results into improved contract performance.

Firms that have high innovative capability will be more successful to develop new capabilities that will cause response to environment, competitive advantage and high performance (Hurley & Hult, 1998). Romijn and Albaladejo (2002) added that Innovative capability relates to the organizational knowledge and other competencies that are needed to improve performance. Szeto (2000) earlier stressed that a high level of innovative capability indicates that, in response to the changing market conditions, an organization is able to develop new ideas and transform them into new processes or systems. According to Oke (2007), in his study on innovation types and innovation management practices in service companies, innovations related to radical or incremental have given an interesting contribution to performance

Despite the importance of innovative capability in enhancing contract performance as stated by different scholars above, few studies have intimately paid significant attention to the relationship between the two variables. It is therefore against this background that this study intended to supplement literature by examining the relationship between innovative capability and contract performance especially in the local context like Uganda.

## **7. Objective of the Study**

To examine the relationship between innovative capability and contract performance in KCCA.

### **Research Question**

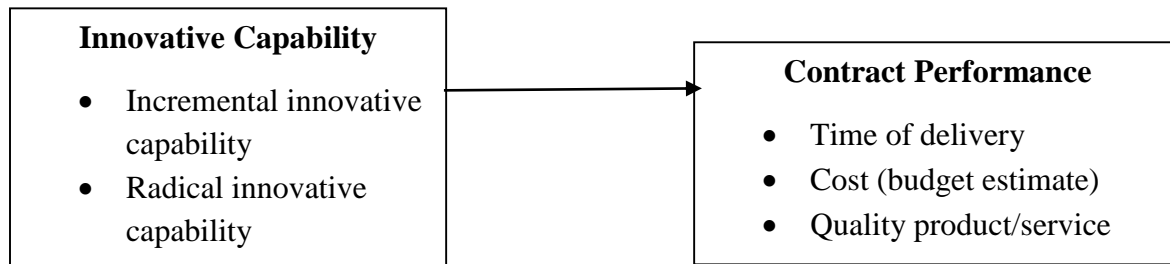
What is the relationship between innovative capability and contract performance in KCCA?

## **8. Statement of the Problem**

Public procurement contract represents a major share of the country's GDP and public expenditure budget. As a result, several policies, guidelines and regulations by the PPDA Authority have been put in place to improve contract performance (National Budget Framework Paper, 2017/2018; PPDA Authority, 2019). Despite the efforts made over the last years, most PDEs have persistently exhibited unsatisfactory contract performance characterized by delays in delivery of supplies, services and works, poor quality goods and services and costly procurements. KCCA exhibits limited skills to match expanded ICT roles, low technology illiteracy amongst staff, low staffing levels, staff resistance to adopt to change, disintegrated systems, low levels of staff morale, inadequate office space, low levels of citizen participation, limited Intergovernmental partnerships, un-defined business processes in various directorates, underutilized service desk, lack of specialized IT Infrastructure to support specialized services like GIS, aging network infrastructure, better process documentation, standalone applications, weak linkages with key stakeholders, and limited connectivity within the office environment among others (KCCA Information Systems Strategic Plan, 2020-2026). Such situations call for possession of certain unique capabilities between contracting parties yet this may not be possible with the restrictions given by the PPDA Act and guidelines, which public entities including KCCA follow. This has created avenues for cost over-runs, change of design due to change in contractors and untimely deliveries which affect service delivery as evidenced in the case above (Office of the Auditor General Uganda Report, 2017; PPDA audit reports, 2017, 2018, 2019). Factors such as adaptive capability, absorptive capability and innovative capability need to be examined to identify the root cause of the problem. Notwithstanding the existence of literature, no significant attention in both academic and professional disciplines has been given to the relationship between these variables. It is therefore against such a backdrop that this study sought to examine the relationship

between dynamic capabilities (adaptive, absorptive and innovative) and contract performance in public sector procurement.

### 9. Conceptual Framework



### 10. Study Area and Population

The study was conducted at KCCA covering all the five (5) divisions such as Kampala central division, Kawempe, Makindye, Rubaga and Nakawa divisions with a target population of 75 staff obtained from different sections of the PDE including, Accounting Officer, Procurement and Disposal Unit, Contracts Committee, Evaluation Committee and User Departments (KCCA website, 2020). The unit of analysis was KCCA and the unit of inquiry was staffs at the managerial and supervisory levels as they directly interface with the procurement process. Each division of KCCA is headed by a Town clerk at the administrative level who is the Accounting Officer. It is also composed of a PDU where procurement takes place, 5 members of the Contracts Committee (CC), 3 members of the Evaluation Committee (EC) and 5 active User Departments (UD).

### 11. Sampling design

A cross-sectional research design which is quantitative in nature was used. The selection of Participants (staff) from the population followed what Patton (2002) described as a “stratified purposeful sampling” strategy (p. 240). This sampling strategy is based on subgroups or strata so as to capture major variations between them while at the same time allowing the researcher to use the people who have the required information with respect to the objectives of the study (Mugenda & Mugenda, 2003). Also, strategic issues on contract performance can only be obtained from specific people making stratified purposeful sampling the right approach for this study.

### 12. Sampling procedure

The researcher identified the population of the study and then divided it into different sub-groups called stratum from where subjects were selected to participate in the study. The researcher purposively used judgment to select cases that best enabled her answer specialized questions. Simple random sampling was also used to select respondents from specific strata. Finally, the cases selected were the sample units for the study.

### 13. Sample size

Sampling is the process of selecting part of the population that is being studied with an intention of learning and drawing conclusion about the universe (Mugenda & Mugenda, 2003). A sample size of 63 respondents from the target population of 75 respondents were selected using the sample determination table developed (Krejcie & Morgan, 1970). This is illustrated in the table 1 next page;

*Table 1: Distribution of Population and Selected Sample Size*

| <b>PROCURING AND DISPOSING ENTITY (PDE)</b> | <b>POPULATION PER SECTION</b> | <b>SELECTED SAMPLE</b> | <b>SAMPLING TECHNIQUES</b> |
|---|-------------------------------|------------------------|----------------------------|
| Accounting Officer (AO)                     | 5                             | 04                     | Purposeful sampling        |
| Procurement and Disposal Unit (PDU)         | 5                             | 04                     | Purposeful sampling        |
| Contracts Committee (CC)                    | 25                            | 21                     | Simple random sampling     |
| Evaluation Committee (EC)                   | 15                            | 13                     | Simple random sampling     |
| User Departments (UD)                       | 25                            | 21                     | Simple random sampling     |
| <b>TOTAL</b>                                | <b>75</b>                     | <b>63</b>              |                            |

*Source:* (KCCA PDU Report, 2020; Krejcie & Morgan, 1970)

**14. Data collection sources**

For purposes of obtaining first-hand information, the researcher considered primary source of data where data were collected using closed ended questionnaires.

**15. Data collection method and instrument**

To cover the population under survey, data was collected using a self-administered structured questionnaire containing only closed ended questions. Closed-ended questions are easy to administer, analyze and saves time during data collection (Mugenda & Mugenda, 2003). Questionnaires are appropriate for collecting data from a large geographical area and avoid bias (Kothari, 2004).

**16. Data collection procedure**

After obtaining a data authorization letter from the university, a drop and pick method of distributing questionnaires were used where a minimum of one and a maximum of two weeks were given to the respondents to respond to the questions. Later, the questionnaires were retrieved and cross-checked to make them suitable for analysis.

**17. Data processing**

After data collection, the researcher cross examined the questionnaires to check for the correctness of the responses. In addition to this, the data were compared with research objectives so as to ensure that all the research objectives were adequately addressed. The raw data from carefully designed questionnaires in terms of content, formulation and sequencing were coded and further processed for data entry into the Statistical Package for Social Sciences (SPSS) computer package.

**18. Data analysis and presentation**

Quantitative analysis was used to understand the relationships between the study variable. This was in form of descriptive statistics that is; frequency, percentages, means and standard deviations and inferential statistics (particularly correlation and regressions) generated in the Statistical Package for Social Sciences (SPSS) version 20, software. Descriptive statistics helped the researcher understand the characteristics of the

respondents while correlations and regressions helped the researcher understand the relationship between the study variables.

## Findings

This section consists of explanations under descriptive and inferential analysis for the independent (Innovative Capability) and dependent variable (contract Performance).

### 6.1 Descriptive Results

#### 6.1.1 Descriptive Statistics on Innovative Capability and Contract Performance

For better presentation and understanding of the results, Percentages, means and standard deviations were used to discuss the descriptive statistics where strongly disagree and disagree were merged together to represent disagreement while strongly agree and agree were merged to represent agreement among respondents. The means and standard deviations were included simply to support the percentages. Field (2009) states that means represent a summary of the data and standard deviations show how well the means represent the data. Given that the variables were measured on a five-point Likert scale such that 1 represents Strongly Disagree (SD), 2 – Disagree (D), 3 – Not Sure (NS), 4 – Agree (A) and 5 - Strongly Agree (SA), means closer to 1 or 2 can be interpreted as indicating disagreement with the issues, those closer to 3 indicate uncertainty about the issues raised while means closer to 4 or 5 indicates agreement with the issues under the variables.

The staffs of KCCA were asked to indicate their perception on innovative capability and how it influences contract performance. Table 2 below.

*Table 2: Descriptive Statistics for Innovative Capability*

| Statements   | SD (%) | D (%) | NS (%) | A (%) | SA (%) | Total (%) | Mean | Std. Dev. |
|--|--------|-------|--------|-------|--------|-----------|------|-----------|
| we buy new products and services trending in the market                | 3.3    | 11.7  | 8.3    | 41.7  | 35.0   | 100.0     | 3.93 | 1.103     |
| we achieve value for money from the new products and services bought   | 5.0    | 6.7   | 3.3    | 60.0  | 25.0   | 100.0     | 3.93 | 1.006     |
| we use different operation procedures to suit the needs of our clients | 0.0    | 0.0   | 18.3   | 50.0  | 31.7   | 100.0     | 4.13 | .700      |
| we always develop new skill to help us achieve our goals               | 1.7    | 3.3   | 5.0    | 58.3  | 31.7   | 100.0     | 4.15 | .799      |
| we use efficient procurement process or operation procedure            | 1.7    | 5.0   | 8.3    | 51.7  | 33.3   | 100.0     | 4.10 | .877      |
| we seek new technology that has never been used before                 | 20.0   | 20.0  | 10.0   | 30.0  | 20.0   | 100.0     | 3.10 | 1.458     |
| we often seek to develop new processes and procedure to use            | 5.0    | 8.3   | 10.0   | 60.0  | 16.7   | 100.0     | 3.75 | 1.002     |
| we had to learn new skills and procedures for our projects             | 1.7    | 10.0  | 5.0    | 41.7  | 41.7   | 100.0     | 4.12 | 1.010     |
| we require much training to equip team members with skills             | 3.3    | 3.3   | 6.7    | 48.3  | 38.3   | 100.0     | 4.15 | .936      |



|  |     |     |     |      |      |       |      |       |
|--|-----|-----|-----|------|------|-------|------|-------|
| we make good decisions basing on the new market offers | 6.7 | 5.0 | 5.0 | 53.3 | 30.0 | 100.0 | 3.95 | 1.080 |
| Valid N (listwise) = 60                                | 60  |     |     |      |      |       |      |       |

**Source: Primary Data**

Concerning innovative capability as an element of dynamic capabilities, the results in Table 2 above reveal that 76.7% of the respondents agreed that they buy new products and services trending in the market, 15.0% of the respondents disagreed with the statement while 8.3% of the respondents were not sure of the statement. In addition, the mean and standard deviation values show that most of the respondents agreed with the statement above (Mean = 3.93, SD = 1.103). This is an indication that the staffs at the Authority are well-versed with what is trending in the market in terms of products and services. This knowledge facilitates the specification process, hence good contract performance. This finding is supported by Adler and Shenbar (1990) who affirmed that innovation capability is associated with the capacity of developing and adopting new products and processing technologies to satisfy future needs.

Similarly, 85.0% of the respondents agreed that they achieve value for money from the new products and services bought, 11.7% of the respondents disagreed while only 3.3% were not sure about the statement. Also, the mean and standard deviation values indicate that most of the respondents agreed with the statement (Mean = 3.93, SD = 1.006). This implies that the Authority contracts a supplier or provider who offers the lowest price possible for a given contract, hence value for money.

In addition, 81.7% of the respondents agreed that they use different operation procedures to suit the needs of clients while 18.3% of the respondents were not sure of the statement. Similarly, the mean and standard deviation values show that most of the respondents agreed with the statement at hand (Mean = 4.13, SD = .700). This means that the Authority focuses on meeting the needs of the clients in terms of quality and delivery time, hence satisfaction.

Also, 90.0% of the respondents agreed that they always develop new skills to help them achieve their goals, 5.0% of the respondents disagreed and another 5.0% were not sure about the statement. Similarly, the mean and standard deviation values show that most of the respondents agreed with the statement at hand (Mean = 4.15, SD = .799). This is an indication that most of the staffs at the Authority are focused and innovative enough as they often seek new skills to better their performance. This finding is in line with the findings by Hurley and Hult (1998) who stated that organizations that have high innovative capability will be more successful to develop new capabilities that will cause response to environment.

Further, 85.0% agreed that they use efficient procurement process or operation procedures, 8.3% were not sure about the statement while 6.7% of the respondents disagreed with the statement. Similarly, the mean and standard deviation values reveal that most of the respondents agreed with the statement that they use efficient process or operation procedures (Mean = 4.10, SD = .877). These mean that the Authority continuously innovate to improve on its processes which in turn improve on contract performance.

The results in Table 2 above also shows that most (50.0%) of the respondents agreed that they seek new technology that has never been used before, 40.0% of the respondents disagreed with the statement while 10.0% of the respondents were not sure of the statement. This finding is further backed by the mean and standard deviation values which indicate that most of the respondents somehow agreed with the statement that they seek new technology that has never been used before (Mean = 3.10, SD = 1.458). This means that the Authority uses up-to-date technology to carry out its operations, hence improved contract performance.

Similarly, 76.7% of the respondents agreed that they often seek to develop new processes and procedure to use, 13.3% of the respondents disagreed with the statement and only 10.0% of the respondents were not sure about the statement. Also, the mean and standard deviation values show that most of the respondents agreed with the statement at hand (Mean = 3.75, SD = 1.002). This means that new methods and procedures are often used by staffs at the Authority to execute contracts which results in good performance. This finding is in line with the finding by Adler and Shenbar (1990) who assert that innovation results into the application of appropriate process technologies to produce these new products.

In addition, 83.4% of the respondents agreed that they had to learn new skills and procedures for their projects, 11.7% of the respondents disagreed while only 5.0% of the respondents were not sure of the statement. Similarly, the mean and standard deviation values indicate that most of the respondents agreed with the statement at hand (Mean = 4.12, SD = 1.010). This implies that most of the respondents undergo training to equip themselves with new skills to execute their operations.

Further, 86.6% of the respondents agreed that they require much training to equip team members with skills, 6.7% of the respondents were not sure about the statement while another 6.6% disagreed with the statement. In addition, mean and standard deviation findings show that most of the respondents agreed with the statement at hand (Mean = 4.15, SD = .936). This means that most of the staffs have open mind towards developing their career which in turn make them efficient and effective in executing their duties, hence good contract performance.

Finally, 83.3% of the respondents agreed that they make good decisions basing on the new market offers, 11.7% of the respondents disagreed with the statement and only 5.0% of the respondents were not sure about the statement. Following the mean and standard deviation values, most of the respondents agreed with the statement at hand (Mean = 3.95, SD = 1.080). This implies that the Authority radically innovates to develop new policies, methods and procedures to improve its operations hence good contract performance.

### 19. Correlation Results for Innovative Capability and Contract Performance

The researcher employed Pearson (r) correlation analysis to examine the relationship between innovative capability and contract performance. The Pearson correlations coefficient ranges between -1.000 and 1.000. A Perfect positive relationship is indicated by a positive 1.000 while a perfect negative relationship is represented by a -1.000. A Negative relationship between the variables confirms that there is an inverse relationship between them and they increase in opposite direction. Evans (1996) suggests that a correlation coefficient between 0.0 and 0.19 is considered to be “very weak”, between 0.20 and 0.39 is considered to be “weak”, between 0.40 and 0.59 is considered to be “moderate”, between 0.60 and 0.79 is considered to be “strong” and between 0.80 and 1.0 is considered to be “very strong”.

*Table 3: Correlation on Innovative Capability and Contract Performance*

|                       |                     | Innovative Capability | Contract Performance |
|-----------------------|---------------------|-----------------------|----------------------|
| Innovative Capability | Pearson Correlation | 1.000                 |                      |
|                       | Sig. (2-tailed)     |                       |                      |
| Contract Performance  | Pearson Correlation | .684**                | 1.000                |
|                       | Sig. (2-tailed)     | .000                  |                      |

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Source: Primary Data**

The results in Table 3 above shows a strongly positive and significant relationship between innovative capability and contract performance ( $r = .684^{**}$ ,  $sig. < .01$ ). This means that innovative capability is positively and significantly associated with contract performance. Organizations with the ability to incrementally and radically innovate tend to improve on their methods and procedures of operation, thus reducing the contract delivery time and cost as well as ensuring delivery of quality goods and services. Similarly, use of efficient procurement process or operation procedures results in timely implementation of contracts. Also, having enough training to equip team members with skills helps to correct any deficiency that arise during operation. In other words, an improvement in innovative capability results in an improvement in contract performance.

**20. Regression Results for Innovative Capability and Contract Performance**

A regression model was employed in the study as reflected in the table below to examine the extent to which innovative capability can predict contract performance.

*Table 4: Regression Model*

|   | <i>Unstandardized Coefficients</i> |            | <i>Standardized Coefficients</i> |       |      |
|---|------------------------------------|------------|----------------------------------|-------|------|
|   | B                                  | Std. Error | Beta                             | T     | Sig. |
| (Constant)                                      | 1.885                              | .390       |                                  | 4.838 | .000 |
| Innovative Capability                           | .617                               | .086       | .684                             | 7.149 | .000 |
| <b>Dependent Variable: Contract Performance</b> |                                    |            |                                  |       |      |
| R   | .684                               |            |                                  |       |      |
| R Square  | .468                               |            |                                  |       |      |
| Adjusted R Square                               | .459                               |            |                                  |       |      |
| Std. Error of the Estimate                      | .336                               |            |                                  |       |      |
| F Statistic                                     | 51.104                             |            |                                  |       |      |
| Sig.  | .000                               |            |                                  |       |      |

**Source: Primary Data**

The results in Table 4 above reveal that innovative capability contributes a Beta value of 0.684 at 0.000 levels of significance. It also shows that innovative capability can predict 45.9% of the variance in contract performance (Adjusted R Square = .459). This implies that innovative capability significantly influences contract performance. The regression model was statistically significant at  $sig. < .05$  and confirms earlier correlation analysis findings. In fact, organizations that seeks new technology that has never been used before often give priority to quality than any other dimension. Also, buying products and services trending in the market reflects adherence to the required standards of consistency in a contract.

This finding is strongly supported by Sher and Yang (2005) who in their study found positive effects of innovative capabilities on performance. Additionally, Oltra and Flor (2003) affirmed that innovative capabilities have an impact on innovation output. Also, Lawson and Samson (2001) confirm that innovation capability is considered as the valuable assets for the firms to provide and sustaining good contract performance resulting into the implementation of the entire strategy or process.

**21. Conclusions**

Further, the researcher sought to examine the relationship between innovative capability and contract performance. It can therefore be concluded that innovative capability is a significant predictor of contract

performance. This means that for an organization to achieve good contract performance, they need to be innovative in terms of technology usage and knowledge search.

## 22. Recommendations

There is need by the organization with the help of the PPDA Authority to always conduct research and development on the changing technology in the market, new products and services so as to develop new procurement methods and procedures of operation. This will in turn result in efficient procurement process, hence value for money.

Further, the organization needs to mobilize and allocate resources appropriately so as to respond to the changing environment. These will in turn help the organization develop the abilities to integrate, build and reconfigure internal and external competencies to address contract related issues hence good contract performance.

## References

- Abbing, E. R. (2010). *Brand-driven Innovation*. AVA Publishing, SA.
- Ambrosini, V., & Bowman, C. (2009). What Are Dynamic Capabilities and are they a useful Construct in Strategic Management? *International Journal of Management Reviews*, 11, 29-49. <http://dx.doi.org/10.1111/j.1468-2370.2008.00251.x>.
- Adler, P. S., & Shenbar, A. (1990). Adapting Your Technological Base: The Organizational Challenge. *Sloan Management Review*, 25, 25–37.
- Cho, H. J., & Pucik, V. (2005). Relationship between Innovativeness, Quality, Growth, Profitability, and Market Value. *Strategic Management Journal*, 26, 555–575.
- CIPS. (2012a). *“Managing Contracts and Relationships in Procurement and Supply”* (1<sup>st</sup> ed.). Lincolnshire: Profex Publishing Limited.
- Eisenhardt, K.M and Martin, J.A. (2000). Dynamic Capabilities: What are They?. *Strategic Management Journal*, 21: 1105–1121.
- Evans, J.D., 1996. *Straightforward Statistics for the Behavioral Sciences*. Brooks/Cole Publishing; Pacific Grove, Calif.
- Field, A. (2009). *Discovering Statistics Using SPSS*, (3<sup>rd</sup> Edition). Sage Publications Ltd., London.
- Franca, A., & Rua, O. L. (2017). Contributions of Absorptive Capabilities to Export Performance.
- Gloet, M., & Samson, D. (2016). Knowledge Management and Systematic Innovation Capability. *International Journal of Knowledge Management (IJKM)*, 12(2), 54–72.
- Hagedoorn, J., & Duysters, G. (2002). External Sources of Innovative Capabilities: The Preferences for Strategic Alliances or Mergers and Acquisitions. *Journal of Management Studies*, 39(2), 167–188.
- Helfat, C. E., Finkelstein, S., Mitchell, W., Peteraf, M., Teece, D., & Winter, S. (2007). *Dynamic Capabilities: Understanding Strategic Change in Organizations*. Blackwell Publishing.

- Hurley, R. F., Hult, G. T. M., & Knight, G. A. (2005). Innovativeness and Capacity to Innovate in a Complexity of Firm-level Relationships: A Response to Woodside (2004). *Industrial Marketing Management*, 34(3), 281–283.
- Hurley, R., & Hult, G. T. M. (1998). Innovation, Market Orientation, and Organizational Learning: An Integration and Empirical Examination. *Journal of Marketing*, 62(3), 42–54.
- KCCA Information Systems Strategic Plan, 2020-2026.  
[https://www.kcca.go.ug/media/docs/Information\\_Systems\\_Strategic\\_Plan%202020-2026\\_V6.pdf](https://www.kcca.go.ug/media/docs/Information_Systems_Strategic_Plan%202020-2026_V6.pdf), page 11
- Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2<sup>nd</sup> ed.). New Delhi: New Age, International Publishers.
- Krejcie, P., & Morgan, D. W. (1970). “Determining Sample Size for Research Activities”. *Educational and Psychological Measurement*, 30(3), 607–610.
- Laforet, S. (2011). A Framework of Organizational Innovation and Outcomes in SMEs. *International Journal of Entrepreneurial Behavior & Research*, 17(4), 380–408.
- Lane, P. J., Koka, B. R., & Pathak, S. (2006). The Reification of Absorptive Capacity: A Critical Review and Rejuvenation of the Construct. *Academy of Management Review*, 31(4), 833–863.
- Lawson, B., & Samson, D. (2001). Developing Innovation Capability in Organizations: A Dynamic Capabilities Approach. *International Journal of Innovation Management*, 5(03), 377–400.
- Lendel, V., & Varmus, M. (2014). Evaluation of the Innovative Business Performance. *Procedia-Social and Behavioral Sciences*, 129, 504–511.
- Ministry of Finance, Planning and Economic Development: National Budget Framework Paper, FY 2017/18.
- Mugenda, O., & Mugenda, A. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: Nairobi Acts Press.
- Oke, A. (2007). Innovation Types and Innovation Management Practices in Service Companies. *International Journal of Operations & Production Management*, 27(6), 564–587.
- Oltra, M. J., & Flor, M. (2003). The Impact of Technical Opportunities and Innovative Capabilities on Firms’ Output Innovation. *Creativity and Innovation Management*, 12(3), 137–144.
- Patton, M. Q. (2002). *Qualitative Research & Evaluation Methods*, (3<sup>rd</sup> edition). Sage Publications, Inc.
- Practical Seminar on Contract Management in Public Procurement: Changes to Existing Contracts and Avoiding the Need for a New Tender (...).
- Project Management Institute. (2008). *A Guide to the Project Management Body of Knowledge* (4<sup>th</sup> ed.). Project Management Institute, Newtown Square, PA.
- Public Procurement and Disposal of Assets Act. (2014). Kampala, Uganda: PPDA. (Online). Available at: <http://www.ppda.go.ug/>
- Public Procurement and Disposal of Assets Authority (2017). PPDA Annual Report 2016-2017. Kampala, Uganda: PPDA. [Online]. Available at: <http://www.ppda.go.ug/>

- Public Procurement and Disposal of Assets Authority (2018). PPDA Annual Report 2017-2018. Kampala, Uganda: PPDA. [Online]. Available at: <http://www.ppda.go.ug/>
- Public Procurement and Disposal of Assets Authority (2019). PPDA Annual Report 2018-2019. Kampala, Uganda: PPDA. [Online]. Available at: <http://www.ppda.go.ug/>
- Public Procurement and Disposal of Assets Authority (2019/2020). Kampala, Uganda: PPDA. [Online]. Available at: <http://www.ppda.go.ug/>
- Public Procurement and Disposal of Assets Guideline. (2016). Kampala, Uganda: PPDA. (Online). Available at: <http://www.ppda.go.ug/>
- Romijn, H., & Albaladejo, M. (2002). Determinants of Innovation Capability in Small Electronics and Software Firms in South East England. *Research Policy*, 21, 1053–1067.
- Samuelides, A. H. E. (2001). Innovation's Dynamics in Mobile Phone Services in France. *European Journal of Innovation Management*, 4(3), 153–163.
- Sen, F. K., & Egelhoff, W. G. (2000). Innovative Capabilities of a Firm and the use of Technical Alliances. *IEEE Transactions Management*, 47(2), 174–183.
- Sher, P., & Yang, P. (2005). The Effects of Innovative Capabilities and R&D Clustering on Firm Performance: The Evidence of Taiwan's Semi-Conductor Industry. *Technovation*, 25(1), 33–43.
- Slater, S. F., Hult, G. T. M., & Olson, E. M. (2010). Factors Influencing the Relative Importance of Marketing Strategy Creativity and Marketing Strategy Implementation Effectiveness. *Industrial Marketing Management*, 39(4), 551–559.
- Subramaniam, M., & Youndt, M. (2005). The Influence of Intellectual Capital on the Types of Innovative Capabilities. *Academy of Management Journal*, 48(3), 450–463.
- Szeto, E. (2000). Innovation Capacity: Working towards a Mechanism for Improving Innovation within an Inter-organizational Network. *The TQM Magazine*, 12(2), 149–157.
- Teece, D. J. (2007). 'Explicating Dynamic Capabilities: The Nature and Micro Foundations of (Sustainable) Enterprise Performance'. *Strategic Management Journal*, 28, 1319–50.
- Teece, D. J., Pisano, G., & Shuen, A. (1997). 'Dynamic Capabilities and Strategic Management'. *Strategic Management Journal*, 18, 509–35.
- Tether, B. S., & Tajar, A. (2008). Beyond Industry-University Links: Sourcing Knowledge for Innovation from Consultants, Private Research Organizations and the Public Science-Base. *Research Policy*, 37(6), 1079–1095.
- The Office of the Auditor General (OAG) Uganda. (2017). Report of the Auditor General on the Financial Statements of Kampala Capital City Authority for the Financial Year Ended 30th June 2017.
- United Nations Office for Project Services (UNOPS) Report. (2012). *Transparency and Public Procurement*.
- Van der Aa, W., & Elfring, T. (2002). Realizing Innovation in Services. *Scandinavian Journal of Management*, 18(2), 155–171.
- Wang, C. L., & Ahmed, P. K. (2007). Dynamic Capabilities: A Review and Research Agenda. *International Journal of Management Review*, 9(1), 31–51.

