

# The Impact of Procurement Management on Organizational Performance in the Syrian Telecommunication Sector

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## ABSTRACT

The purpose of this paper is to investigate the impact of procurement management on organizational performance in the Syrian Telecommunication Sector. In addition, it aims to assessing the level of awareness and understanding the concepts of procurement management and organizational performance in the Syrian context.

The research methodology involved the adoption of a survey as a research strategy and quantitative approach, utilized a self-administered questionnaire, to arrive at the major findings of the study. The type of research is a single cross-sectional design in which the collection of data from the respondents was carried out only once. Data was analyzed using the statistical package for social sciences (SPSS).

The paper revealed that there is an impact of procurement management on organizational performance in the Syrian Telecommunication Sector. It also revealed that there is a high level of awareness among the respondents about the concepts of procurement management and organizational performance.

As far as the researcher is aware, this paper is the first to investigate the impact of procurement management on organizational performance in the Syrian telecommunication sector; thus its finding will be an original contribution to the field of procurement management and organizational performance. In addition, as there has been a shortage of research in the field of procurement management, generally in the Middle East countries, the researcher hopes that this paper will establish a foundation for further research in the region.

**Keywords:** Procurement management, Organizational performance, Syrian Telecommunication Sector

## 1. INTRODUCTION

The world is witnessing many challenges, represented by intensive competition, lack of available resources, increasing societal needs. Which requires dynamic changes in all aspects of the organization to ensure survival and continuity in the light of these rapid changes. Therefore, the organization has to continuously explore and identify the potential markets for its products, obtaining a distinct competitive position, expanding its market share, and accessing geographical places far from the organization's location whether within the borders of the country or outside.

Hence comes the importance of procurement management, which has become a bond, linking the production sites with market and consumption sites, which is why the management of procurements is considered as one of the vital factors in achieving the organizational performance of the organization.

Based on the above, the need for procurement management emerged, due to its ability to enable the organization to achieve organizational performances, through its role in the relationships between the organization, suppliers and customers. The procurement management represents a mixture of science and art to improve the ways how the organization obtains the raw materials needed to provide the service,

produce the products and deliver or ship it to customers, which achieves the continuity and distinction for the organization in the market.

## 2. Research Problem & Question

The problem of the study goes back to the fact that industry in Syria is affected by many challenges, and the great damage in the telecommunication sector which has been affected by political and economic factors in Syria and the region.

As most organizations operate in a work environment characterized by intensive competition, change in the needs and desires of customers and changing market conditions, Therefore the organization is required to build strong relationships with suppliers and customers through efficient and effective management of the procurement, and work to secure the best types of support to achieve the set goals.

In light of the above, the problem of research can be identified by the following main question:

To what extent does procurement management affect the organizational performance in the Syrian telecommunication sector?

## 3. LITERATURE REVIEW

### 3.1 Definitions of Procurement Management

The European Union (2014) defines procurement as the act of obtaining or buying goods and services. The process includes preparation and processing of a demand as well as the end receipt and approval of payment. Gadde (2017) defines procurement as the purchase of merchandise or services at the optimum possible total cost in the correct amount and quality. He further reiterated that Procurement can also be simply defined as the procedure in which goods or commodities are bought when prices are low. The process of procurement often involves; purchase planning, standards determination, specifications development, supplier research and selection, value analysis, financing, price negotiation,

making the purchase, supply contract administration, inventory control and stores, disposals and other related functions.(Gadde, 2017, p.67)

Akin Ateş (2018) divides procurement into three categories: (Akin Ateş, 2018, p.68)

1. Purchases that require specialized research and development, such as newly designed military aircraft.
2. Purchases of complex, special purpose projects, such as dams or port facilities that do not involve advances in technology but require managerial and organizational skills.
3. Purchases of complex, special purpose projects, such as dams or port facilities that do not involve advances in technology but require managerial and organizational skills.

However, according to the Business Dictionary (2011), “Procurement” is the overarching function that describes the activities and processes through which an organization acquire goods and services. Procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfill its strategic objectives, procurement is the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfill its strategic objectives. (Brandon-Jones, 2015, p.446)

Procurement exists to explore supply market opportunities and to implement resourcing strategies that deliver the best possible supply outcome to the organization, its stakeholders and customers. Procurement applies the science and art of external resource and supply management through a body of knowledge interpreted by competent practitioners and professionals (Buvik, 2009, p.439).

The process of procurement is often part of an organization’s operational strategy as the ability of an organization to purchase certain key resources at the right time and prize,

would determine their survival or otherwise in today's competitive business environment their success of performance is lean. (Gadde, 2017, p.69)

According to Miles (2015) "Procurement is a complex process that can help organizations become more efficient". This is because all their goods and services would be bought at the right quality, quantity, price and they will be delivered „just in time“, thereby reducing the need to stockpile goods and parts. Reducing the amount of goods that are stored will reduce the amount of resources used to store them. It also ensures that they are not overly transported, which means there is less risk of them being damaged and no resources are required to transport them. By buying goods that are of the right quality means that they are not too good for the role that they intended to fulfill, as such would be at the right price. But they will also not be sub-standard, so there is less chance of the parts and goods causing defects. One crucial role procurement plays for organizations, is its ability to create relationships. Creating good relationships with suppliers also mean that they will be flexible and help out if a sudden increase in volume of goods is required. So procurement really is vital and can really transform companies when it is done right. Although, procurement may not actually produce the goods that are sold, it can actually help to increase profits due to its ability to ensure that operational demands are met. (Miles, 2015, p.72)

However, it is important to note that procurement is and distinct from purchasing. The term purchasing refers to the process of ordering and receiving goods and services. It is a subset of the wider procurement process. Generally, purchasing refers to the process involved in ordering goods such as request, approval, and creation of a purchase order record and the receipting of goods. (Brandon-Jones, 2015, p.449)

While procurement involves the activities involved in establishing fundamental requirements, sourcing activities such as

market research, vendor evaluation and negotiation of contracts play a crucial role in successful procurement system. It can also include the purchasing activities required to order and receive goods. Corporations and public bodies often define procurement as the processes intended to promote fair and open competition for their business while minimizing exposure to fraud and collusion, this according to Gadde (2017) is made smoother by promoting a good business relationship between the buyer and the supplier. (Gadde, 2017, p.73) According to Ohene-Addae (2012) the process of procurement may differ from company to company, and a government institution may have a slightly different procurement process compared to a private company. The procurement procedure may differ according to the product and the uses of the product. Another important factor that is usually included in the definitions of procurement is the amount in which the product is bought. This is important because the amounts of goods bought are inversely proportional to their cost. Thus, procurement is a process that is carried out by almost every company and individual for its own personal gain or for profits, which involves buying of commodities by choosing the appropriate bidder. (Ohene-Addae, 2012, p.53)

Van Raaij (2016) refers to procurement as a roadmap of activities within the procurement function, the project procurement cycle reflects the procurement activities from the decision to purchase the material or service through to the payment of bills and closing of procurement contracts. It starts from the identification of a need and conducting market analysis through to the process of selecting the supplier, managing their performance and reviewing lessons learnt. It establishes key activities required at every stage of the procurement process while at the same time providing a benchmark for the monitoring and evaluation of the process by procurement monitors and evaluators (Van Raaij, 2016, p.23).

In most studies conducted on public procurement, the procurement process is considered to include contract administration (Handfield, 2011). Other studies such as Lynch (2012) and Gadde (2017) believes that the public procurement process ends with contract award and that anything after contract award is considered contract administration. However, for the purpose of this, the procurement cycle would encompass activities occurring within the entire procurement with it procurement system. (Handfield, 2011, p.57)

### **3.2 The Procurement Cycle**

The procurement cycle consists of activities such as planning, sourcing, contracting, contract management, storing, distribution, disposal and evaluation.

#### **1- Procurement Planning**

Procurement planning is the process whereby an organization decides what to buy, when and from what source. Lynch (2014) describes it as a process whereby procurement practitioners sketch out in advance an arrangement in a diagram on a plan as to what, which, when and how purchases are to be conducted in a given period. During the procurement planning process, the procurement method is assigned and the expectations for fulfillment of procurement requirements determined. Lynch (2012) opinioned that effective procurement planning is essential for all procuring entities in the implementation of the purchasing objectives. (Lynch, 2014, p.36)

#### **2- Sourcing**

Sourcing is simply the process whereby an organization finds suppliers of goods and services. It's an approach to procurement whereby the business needs of the organization are matched with the supplier market, It is much more than simply centralizing procurement. The approach is founded on a detailed understanding of both the spend profile of the organization as well as of the supplier market. This understanding is continually updated in order to deliver ongoing improvements to

the organizations sourcing and procurement performance. (Wallace & Xia, 2014, p.22)

#### **3- Contracting and Contract Management**

After suppliers of goods and services have been selected, there is the need for a written legally- binding agreement between the parties identifying rights and obligations of both parties. This phase is crucial because its includes the negotiation of the terms and conditions in contracts and ensuring compliance with the terms and conditions, as well as documenting and agreeing on any changes or amendments that may arise during its implementation or execution. (Van Weele, 2010, p.18)

#### **4- Storage, Distribution and Disposal**

Storage comes in when goods procured are not being used immediately and therefore the need to store them to ensure that no damage or loss occurs. The timely availability of goods can be very crucial to an organization's operation. Goods may require specialized storage facilities or may have very limited shelf life so the effective storage, handling and management of stock levels are important. Goods in storage need to be delivered to their final destination for usage according the requirements of the customer or end-user. Distribution may involve complex in-country procurements with delivery to multiple regional stores facilities or end-user sites (Ohene-Addae, 2012, p.55).

#### **5- Evaluation**

The procurement evaluation involves collecting knowledge gained throughout the procurement process and using it to ascertain whether the organizational procurement needs and expectations have been fulfilled and whether "value for money" has been achieved. The procurement evaluation step is geared towards eliciting ideas for improving and optimizing the achievement of procurement needs and stakeholder satisfaction in the outcomes of procurement projects in the future. According to Alarcón and Rivas (2009) the evaluation stage comprises the following steps: establishing the group of

people to be interviewed; value stream maps, general and detailed; project surveys; review of performance indicators; analysis of nonconformity reports; cause-effect analysis regarding delays, costs, time cycles and others. This stage is crucial in ensuring the procurement process fulfill its strategic function of improving organizational productivity and profitability. (Alarcón and Rivas, 2009, p.33)

### 3.3 Organizational Performance

Organizational performance refers to how well an organization achieves its market-oriented goals as well as its financial goals (Yamin, 2009, p.56). The short-term objectives of procurement management are primarily to increase productivity and reduce inventory and cycle time, while long-term objectives are to increase market share and profits for all members of the procurement (Tan, 2008, p.12). Financial metrics have served as a tool for comparing organizations and evaluating an organization's behavior over time (Holmberg, 2000, p.92). Any organizational initiative, including procurement management, should ultimately lead to enhanced organizational performance. A number of prior studies have measured organizational performance using both financial and market criteria, including

return on investment (ROI), market share, profit margin on sales, the growth of ROI, the growth of sales, the growth of market share, and overall competitive position represented by constructs like, Price/Cost. It is the ability of an organization to compete against major competitors based on low price and quality, the ability of an organization to offer product quality and performance that creates higher value for customers' delivery dependability. It includes the ability of an organization to provide on time the type and volume of product required by customer(s). (Li, 2006, p.107).

### 4. Research Hypothesis, Variables & Model

In light of the research problem and its question, the hypothesis is formulated as follows:

#### Hypothesis H1:

"There is a statistically significant impact of procurement management on organizational performance at the level of significance ( $\alpha \leq 0.05$ )".

The present study relied on procurement management as an independent variable (X), and on organizational performance as a dependent variable (Y).

In light of the above, the model of the study will be as follows:

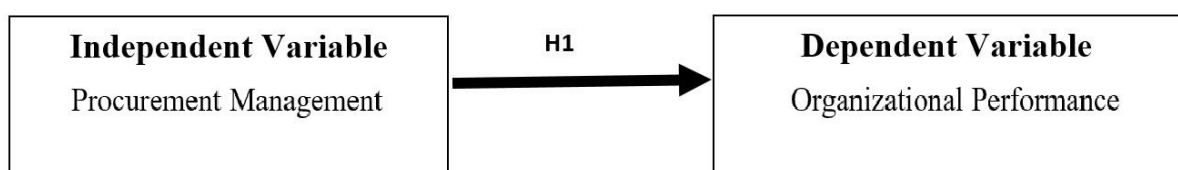


Fig 1: Research Model

## 5. RESEARCH METHODOLOGY

### 5.1 Study Population and Sample

The population of this study is the telecommunication sector in Syria, Syriatel Company as a case study.

#### About Syriatel Company

Syriatel is a mobile network provider in Syria founded in 2000, It is one of the only

two providers in Syria, the other being MTN Syria.

The volume of the sample was determined by using the form of Krejcie & Morgan as the following (Krejcie & Morgan, 1970, p.607):

$$n = \frac{p(1-p)}{\frac{p(1-p)}{N} + \frac{E^2}{SD^2}}$$

n: sample volume.

N: community volume.

P: 0.5 E: 5% SD: 1.96

Since N=93 which is the total number of the workers in Syriatel Company, so by using the above formula we find that n=75.

The questionnaire had been administrated personally, (90) questionnaires were distributed, (75) returned and analyzed with a (84%) response rate.

## 5.2 Instrument Validity and Reliability

**Validity:** The questionnaire was reviewed by four experts from the Faculty of Economics at Damascus University, whose knowledge and experiences were sufficient in this scope and to make sure that each item is measuring exactly what is intended to be measured. Furthermore, a pilot study was conducted on 30 respondents to test the research instrument before distributing it to the whole sample. Upon the feedback of the experts and the pilot study the questionnaire

had been amended taking into consideration their suggestions, comments, and directions to achieve the validity of the instrument.

**Reliability:** Reliability is the extent to which a variable (or set of variables) is persistent in what is intended to measure (Hair et al., 2005). The Cronbach's Alpha value used to test the reliability of the items measuring each variable. A reliability measure coefficient reflects how well items in a set are positively correlated to one another. Accordingly, the internal consistency method was used in this study to examine the reliability of each variable. Table 1 below shows that all the values of alpha are above 0.60, which are considered to be acceptable.

Components	Cronbach's Alpha	Number of Items
Procurement management	0.807	4
Organizational performance	0.728	4
Total	0.835	8

Table 1: Summary of Reliability Analysis

## 5.3 Pearson Correlation

### 5.3.1 for Procurement management

Sentences	Pearson Correlation	Sig. (2-tailed)
Our company purchases the required materials through tenders and quotations	.808**	.001
Our company offers a fair competition to the suppliers and chooses the best offers	.859**	.001
Our company has an independent department of Procurement Management	.881**	.001
Our company purchases the required materials in a timely manner to ensure the continuity of production	.882**	.001

Table 2: Pearson Correlation for Procurement management

The Pearson Correlation value for all sentences are more than 0.5, which can be considered moderately correlated.

### 5.3.2 for Organizational performance

Sentences	Pearson Correlation	Sig. (2-tailed)
Our company is expanding its Market share	.829**	.001
Our company has a growing return on investment	.809**	.001
Our company achieves its market- oriented goals	.781**	.001
Our company is improving its overall competitive position	.865**	.001

Table 3: Pearson Correlation for Organizational performance

The Pearson Correlation value for all sentences are more than 0.5, which can be considered moderately correlated.

## 5.4 Test of Normality

Based on table 5 we find that Sig for all variables is more than (0.05), so all data are subject to normal distribution.

Statistics		Procurement management	Organizational performance
N	Valid	75	75
	Missing	0	0
Mean		3.8533	3.7289
Std. Deviation		.95741	1.08039
Skewness		-1.389	-.845
Std. Error of Skewness		.277	.277
Kurtosis		1.732	-.048
Std. Error of Kurtosis		.548	.548

Table 4: Test of Normality for the variables

## 5.5 Descriptive Statistics of the Data

### 5.5.1 Procurement management

Table 5 below depicts the Mean and Standard Deviation for procurement management, the values were calculated based on the answers from the respondents.

Procurement management	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Our company purchases the required materials through tenders and quotations	75	3.8400	1.12754	6.452	74	0.000
Our company offers a fair competition to the suppliers and chooses the best offers	75	3.8267	1.10739	6.465	74	0.000
Our company has an independent department of Procurement Management	75	3.8233	1.10659	6.452	74	0.000
Our company purchases the required materials in a timely manner to ensure the continuity of production	75	3.899	1.10521	6.219	74	0.000
Procurement management	75	3.8533	0.95741	7.719	74	0.000

Table 5: Descriptive Statistics of the Data for Procurement management

Based on the data collected from the respondents the mean of the data after the calculation was 3.8533, which is more than 3.4 and less than 4.2, and Sig is 0.000 less than 0.05, so the workers agree to the content of the sentences.

This means the respondents demonstrate optimal level of attitude towards procurement management. In other words,

the respondents show positive attitude towards procurement management.

### 5.5.2 Organizational performance

Table 6 below depicts the Mean and Standard Deviation for organizational performance, the values were calculated based on the answers from the respondents.

Organizational performance	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Our company is expanding its Market share	75	3.7333	1.25562	5.058	74	0.000
Our company has a growing return on investment	75	3.7733	1.36137	4.919	74	0.000
Our company achieves its market- oriented goals	75	3.6800	1.40616	4.188	74	0.000
Our company is improving its overall competitive position	75	3.5432	1.42154	4.195	74	0.000
Organizational performance	75	3.7289	1.08039	5.843	74	0.000

Table 6: Descriptive Statistics of the Data for Organizational performance

Based on the data collected from the respondents the mean of the data after the calculation was 3.7289, which is more than 3.4 and less than 4.2, and Sig is 0.000 less than 0.05, so the workers agree to the content of the sentences.

This means the respondents demonstrate optimal level of attitude towards organizational performance. In other words,

the respondents show positive attitude towards organizational performance.

## 6. Hypotheses Tests

### Main Hypothesis H1

"There is a statistically significant impact of procurement management on organizational

performance at the level of significance ( $\alpha \leq 0.05$ ).

Table 7 below explains the impact of procurement management on organizational performance, the correlation coefficient (R) is 0.453, which is greater than zero, that indicates to a positive relationship between procurement management and organizational performance.

The square of the correlation (R Square value) is 0.205, which indicated that 20.5 % of the volatility and variability in organizational performance is explained by procurement management.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.453 <sup>a</sup>	.205	.194	.96621

Table 7: Model Summary

Table 8 below indicates that calculated F is 18.828 with Sig 0.000, which is less than 0.05, that means that there is a significant impact of procurement management on organizational performance.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.577	1	17.577	18.828	.000 <sup>b</sup>
	Residual	68.150	74	.934		
	Total	85.727	75			

Table 8: ANOVA<sup>b</sup>

Table 9 below shows that Beta is 0.531, meaning that any increase in procurement management will cause an increase the organizational performance multiplied by 0.531.

The Regression model can be formulated as the following:

$$\text{organizational performance} = 1.750 + 0.531 (\text{procurement management})$$

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.750	.477		3.667	.000
	procurement management	.531	.122	.453	4.339	.000

Table 9: Coefficients<sup>a</sup>

Based on the above tables, we find that: "There is a statistically significant impact of procurement management on organizational

performance at the level of significance ( $\alpha \leq 0.05$ ).

## 7. CONCLUSION

The correlation analysis and regression analysis show a significant positive correlation between procurement management and Organizational performance, meaning that there is a statistically significant impact of procurement management on organizational performance at the level of significance ( $\alpha \leq 0.05$ ).

The workers of Syriatel Company demonstrate optimal level of attitude (positive) towards procurement management.

However, additional tests and data collections will be needed to come to a more conclusive result as to whether procurement management is an important factor in analyzing organizational performance.

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