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Impact of Globalization on Purchasing and Procurement in Jordan

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Abstract

Purpose: The study sought to analyze the impact of globalization on purchasing and procurement in Jordan.

Methodology: The research was conducted entirely on computers. Secondary data, or data that doesn't require actual observation in the field, are the focus of desk research. Because it requires little more than an executive's time, telephone rates, and directories, desk research is generally seen as a low-cost strategy in comparison to field research. As a result, the research used data that had already been collected and reported. This secondary data was readily available via the internet's digital library and scholarly articles.

Findings: The results show that globalization has had a major impact on purchasing and procurement, creating both opportunities and challenges. The procurement process has become more complex, with a greater focus on collaboration and long-term relationships with suppliers. Organizations must be prepared to adapt to these changes in order to remain competitive in a globalized world. In Jordan, the country's access to global markets, foreign investment, and technological advances have helped to integrate the country into the global economy.

Unique Contribution to Theory, Practice and Policy: Future research in the field of purchasing and procurement may be grounded in the global value chain theory and the transaction cost economics theory. Policymakers, researchers and academics from all across the world will all stand to gain from this study's findings. Executives in charge of national purchasing and procurement initiatives will also use the study's findings to boost the urbanization performance across the board. The research suggests that the purchasing and procurement sector should implement globalization policies to boost the effectiveness of their primary operations and activities.

Keywords: *Impact, Globalization, Purchasing and Procurement, Jordan.*

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INTRODUCTION

Globalization is a process of increasing integration and interdependence among the world's countries and regions. It is a result of the increased flow of goods, services, capital, information, and people across national borders. Globalization has had a profound impact on the way businesses operate, and it has changed the way many industries purchase and procure goods and services. Globalization has become an increasingly important factor in the world of purchasing and procurement (Mumassabba,2015). Globalization has allowed businesses to access new markets and sources of supply, increase their product range, and reduce costs. It has also given rise to a new type of procurement process, one that is more collaborative and focused on developing relationships with suppliers. As a result, purchasing and procurement professionals have had to adapt to the changes in order to remain competitive. The increased competition brought about by globalization has led to significant changes in the procurement process. In the past, procurement was largely focused on cost minimization and efficiency, and negotiations were often adversarial (Akram,2022). However, in a globalized world, procurement has become more collaborative, with negotiations based on mutual understanding and trust.

In order to remain competitive in a globalized world, organizations must be prepared for the future of purchasing and procurement. The process of globalization has had a major impact on the purchasing and procurement processes in Jordan. Over the last few decades, Jordan has seen an unprecedented level of economic growth and development, fueled by the country's access to global markets, foreign investment and technological advances (Litvinenko,2017). As a result, Jordan has become increasingly integrated into the global economy and its purchasing and procurement processes have been heavily influenced by the changing global environment. The political environment in Jordan has been highly favorable for globalizing the country's purchasing and procurement processes. In 1989, Jordan signed a free trade agreement with the United States, which opened up the country to international markets and increased its access to foreign goods and services. This agreement was followed by a series of other agreements with the European Union, China, and other countries, further opening up the Jordanian market to the world (Grant,2017). Additionally, Jordan has also signed numerous bilateral investment treaties, which have helped to attract foreign capital and technology to the country. These agreements have also allowed Jordan to expand its trade and investment ties with other countries, creating unprecedented opportunities for the country's purchasing and procurement processes. The economic environment in Jordan has also been highly conducive to globalization.

Over the last few decades, the country has experienced an unprecedented level of economic growth and development, with GDP growth averaging 6.4% per year between 2000 and 2015. This growth has been driven by a number of factors, including access to global markets, foreign investment, and technological advances (Jenewattanond,2017). As a result, Jordan has become increasingly integrated into the global economy, with its purchasing and procurement processes heavily influenced by the changing global environment. The economic environment in Jordan has also been shaped by the government's economic reforms, which have helped to create a more open and liberalized economy. The government has implemented a number of measures to reduce barriers to trade, attract foreign investment, and improve the country's overall business environment. These reforms have helped to make the Jordanian economy more competitive and attractive to foreign

investors, and have also made it easier for companies to access global markets (Ghaith,2022). As a result, the country's purchasing and procurement processes have been heavily influenced by global market forces. The impact of globalization on purchasing and procurement in Jordan can be seen in a number of areas.

Globalization has increased the availability of goods and services in the country, with companies now able to source products, services, and materials from around the world. This has allowed companies to access a wider range of options, and to purchase the best quality goods and services at the most competitive prices. Additionally, globalization has also led to a reduction in transaction costs, as companies are now able to purchase goods and services more quickly and efficiently (Jefferson,2021). Globalization has also changed the way companies in Jordan source and purchase goods and services. Companies are now able to access global markets more easily, allowing them to purchase a wider range of products, services, and materials. This has allowed companies to specialize and become more efficient in their purchasing and procurement processes (Helmold,2023). Globalization has also led to an increase in competition in the Jordanian market, as companies are now able to access global markets and purchase goods and services from a wider range of suppliers. This has led to lower prices for consumers, as companies are now able to purchase goods and services at lower costs. Additionally, increased competition has also led to improved quality, as companies are now able to source higher quality goods and services at competitive prices.

Statement of the Problem

Purchasing and procurement are the two main activities that are used to acquire goods and services for an organization. According to the World Bank, the procurement sector in Jordan is the largest sector in terms of GDP contribution, accounting for approximately 17% of GDP. The sector is also estimated to make up about 8% of total employment in the country. The purchasing and procurement sector in Jordan is highly regulated. The country's government has established several laws and regulations to ensure that the sector operates in an efficient and transparent manner. The Public Procurement Law, which was passed in 2002, outlines the procedures that must be followed when procuring goods and services. The law is designed to ensure that public money is used in an efficient and transparent manner. In addition, the government has established several regulatory bodies to oversee the purchasing and procurement sector. These include the Public Purchasing and Tenders Department, the Jordan Tenders Board, and the Public Procurement Regulatory Authority.

These bodies are responsible for ensuring that the sector operates in an efficient and transparent manner. Globalization has had a number of effects on the purchasing and procurement sector in Jordan. These effects can be divided into two main categories: economic and political. The first challenge of globalization is the increasing competition in the global market. Globalization has increased the number of competitors in the market, making it more difficult for companies to compete effectively. This has resulted in lower profits and increased costs for many companies in the sector. In addition, globalization has also increased the cost of goods and services. The increased competition has caused prices to rise, leading to higher costs for companies in the sector. According to a survey conducted by the World Bank, the average cost of goods and services in Jordan has increased by 10% since the onset of globalization.

The second challenge of globalization is the increased political instability in the global market. Globalization has opened up new markets to companies in the sector, but it has also increased the risk of political instability in these markets. Political instability can lead to disruptions in the supply chain and can make it difficult for companies to operate effectively. In addition, globalization has also increased the risk of corruption in the sector. Companies must now comply with a variety of laws and regulations when doing business in different countries. This has led to increased opportunities for corruption in the sector. According to a recent survey conducted by the World Bank, the rate of corruption in the purchasing and procurement sector in Jordan is estimated to be around 20%. Globalization has also increased the risk of fraud in the sector. Companies must now be aware of the risks associated with global trade, and they must take steps to protect themselves from fraudulent activities. According to the World Bank, the rate of fraud in the purchasing and procurement sector in Jordan is estimated to be around 10%.

Theoretical Review

This study will benefit from the global value chain theory which was proposed by Hummels and Ishii (2001) and the transaction cost economics theory by Oliver Williamson (1975)

The Global Value Chain Theory

This theory used to explain the impact of globalization on purchasing and procurement. It is based on the idea that firms should take advantage of global opportunities to create value and gain a competitive edge. This theory suggests that firms should focus on their core competencies and resources, and use them to create unique value that is not easily replicated by competitors. It also suggests that firms should take advantage of global opportunities to gain access to new markets and customers, and to reduce costs (Ruta,2017). The GVC emphasizes the importance of global networks of suppliers and customers, and the role of technology in facilitating global trade. It suggests that firms should use technology to create efficient global networks of suppliers and customers, allowing them to gain access to new markets and customers and to reduce costs. It also suggests that firms should use technology to create innovative products and services, and to differentiate themselves from their competitors (Ponte,2014). The GVC is an effective theory for explaining the impact of globalization on purchasing and procurement, as it emphasizes the importance of global networks of suppliers and customers, and the role of technology in facilitating global trade. However, it does not explicitly address the role of external factors, such as government regulations and macroeconomic conditions, in affecting purchasing and procurement decisions.

Transaction Cost Economics Theory

This theory is used to explain the costs associated with economic transactions. It is based on the idea that economic transactions involve costs, such as search costs, negotiation costs, and enforcement costs. These costs arise from the inherent complexity of economic transactions, and can significantly affect the efficiency of an economy. This theory provides insight into the costs associated with conducting business in the global marketplace (Akbar,2018). Globalization has made it easier for companies to conduct business across borders, but this increased complexity also increases associated transaction costs. For example, companies must now search for suppliers in different countries, negotiate with them in different languages, and enforce contractual

agreements in different legal systems (Schmidt,2019). The increased complexity of global transactions increases transaction costs, which can reduce the efficiency of global purchasing and procurement. Overall, the transaction cost economics theory provides a useful framework for understanding the impact of globalization on purchasing and procurement. It helps to identify the costs associated with conducting business in the global marketplace and provides a useful basis for developing strategies to reduce transaction costs.

Empirical Review

Nour (2023) determined how far Jordan's private hospitals have progressed in implementing green supply chain practices and what effect these changes have had on hospital operations. The study's 280 participants were recruited through a convenience sample by distributing the research tool to them in private hospitals in Jordan. There were a total of 257 answers. In addition, version 24 of SPSS and AMOS software were utilized for analyses linked to the research. The findings suggested that green supply chain practices affect business outcomes. The study's authors advise business leaders to improve productivity by incorporating sustainability factors into product design specifications and evaluating them at various stages of the design process.

Faisal (2021) examined the supply chain methods employed by Jordanian medical device companies and their effect on the companies' overall performance. To do this, a cross-sectional study design was employed. Primary data was collected from the study sample via a well-designed, thorough questionnaire. The findings showed that Jordanian manufacturers of medical devices have embraced supply chain techniques and provided evidence that these methods have a substantial effect on the performance of medical devices in Jordan.

Abdel (2021) examined how GSCM can help Jordanian pharmaceutical manufacturing companies gain a competitive edge. Managers working for JPM companies filled out questionnaires that were checked and coded using SPSS. The findings indicated that JPM institutions engage in green purchasing and green selling but engage in very minimal green operations. The data also suggest that JPM firms care more about quality, speed (time), and reliability than they do about cost reduction and innovation on the CA dimensions. In addition, there is a robust correlation between GSCM and CA, as demonstrated by the data. The findings also reveal that the CA of JPM firms is influenced by the green supply chain components of green operations, green purchasing, and green selling in that order.

Mugwe (2018) analyzed the effect of IFMIS on the efficiency of public procurement in Kiambu County. Descriptive research methods were used, and the study's population included 100 members of upper management, department workers, and supervisory positions. For this study, we randomly selected 80 participants, or 20% of the total population. The research found that IFMIS affected the efficiency of public procurement in Kiambu county. Performance in public procurement would be drastically impacted by a switch to online tendering, computerized planning, or automated supplier interaction.

Okong'o (2016) examined how significantly strategic procurement affects KPCL's performance and what obstacles stand in the way of KPCL fully realizing the benefits of strategic procurement. Semi-structured questionnaires were used to collect primary data, while research proposals, the internet, journals, and books provided secondary data. Completed surveys were coded, data

imported into a social science statistical tool, and descriptive statistics were used to analyze the results. The results of the study showed that strategic procurement helps public organizations succeed by lowering operating expenses and raising product quality. Changes in technology, a lack of trained personnel, a lack of management support for strategic planning, and lax oversight all pose difficulties for public sector organizations as they try to implement strategic procurement. Corruption and a lack of cooperation and teamwork during implementation are also significant roadblocks.

Kahiri (2015) determined how procurement policies affect the adoption of efficient procurement methods by Kenya's public higher education institutions. Descriptive research methods were used for this study, which polled the procurement departments of all 40 of Kenya's public universities. A questionnaire was used to collect most of the data, and it had both open-ended and closed-ended questions, as well as questions with nominal and Likert-type scales. According to the results, a number of factors, such as a lack of effective policy, a lack of top-level management support, a lack of clear procurement procedures, a lack of effective relationships between management and stakeholders, and a lack of effective resource management, all contribute to ineffective procurement practices in Kenya's public tertiary education institutions.

Ahmad (2014) The 47 determined how strategic flexibility is affected by supply chain management techniques in Jordan companies. Ninety-three managers from the target companies made up the study's sample. The researcher devised a 32-paragraph questionnaire to elicit the necessary information from the study sample and accomplish the study's aims. According to the data, there is a link between supply chain management practices and strategic flexibility, with the relationship with customers bearing the most impact and the quality of information exchange bearing the least. The study also revealed that market flexibility is most affected by the degree to which information is shared, that production flexibility is most affected by the degree to which suppliers and customers work together strategically, and that competitive flexibility is most affected by the quality of relationships with consumers and suppliers.

METHODOLOGY

The study adopted a desktop methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive's time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library

RESULTS

The results were grouped into various research gap categories namely as conceptual, geographical and methodological gap

Conceptual Gaps

Studies by Nour (2023), Faisal and Abdel (2021), Mugwe (2018), Okong'o (2016), Kahiri (2015) and Ahmad (2014) had conceptual framework gap in addition, all the mentioned studies did not establish the challenges of globalization on purchasing and procurement. The studies did not

outline the challenges in a clear manner. Therefore, the current study seeks to address these conceptual gaps.

Geographical Gap

Studies Mugwe (2018), Okong'o (2016), Kahiri (2015) had geographical gap because they were not conducted in Jordan. This implies that the results may be inapplicable in Jordan since the social economic environment of Jordan and other countries differ. The current study seeks to address this gap.

Methodological Gap

A methodological gap presents itself in this study, Kahiri (2015) determined how procurement policies affect the adoption of efficient procurement methods by Kenya's public higher education institutions. Descriptive research methods were used for this study, which polled the procurement departments of all 40 of Kenya's public universities. A questionnaire was used to collect most of the data, and it had both open-ended and closed-ended questions, as well as questions with nominal and Likert-type scales to analyze data while our study will use a desk study literature review methodology.

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

Conclusion

It is clear that the process of globalization has had a major impact on purchasing and procurement in Jordan. The country's access to global markets, foreign investment, and technological advances have helped to integrate the country into the global economy, and its purchasing and procurement processes have been heavily influenced by the changing global environment. Globalization has increased the availability of goods and services in the country, has led to a reduction in transaction costs, and has increased competition in the Jordanian market. As a result, companies in Jordan are now able to purchase a wider range of products, services, and materials at more competitive prices, and are able to benefit from the economies of scale available in global markets. The country has had to adjust its procurement processes to accommodate the new global reality, and these changes have brought about a number of challenges. The economic challenges include increased competition, higher costs, and increased complexity of international trade. The political challenges include increased political instability, increased risk of corruption, and increased risk of fraud. It is clear that the purchasing and procurement sector in Jordan is facing a number of challenges due to globalization, and these challenges must be addressed in order to ensure the sector's long-term success.

Recommendations

Globalization has had a significant impact on the purchasing and procurement practices in Jordan. As a result, organizations in Jordan have had to adapt their procurement and purchasing processes to meet the challenges of globalization. The following recommendations address the challenges of globalization on purchasing and procurement in Jordan. Organizations in Jordan should establish an efficient and effective procurement system that is capable of meeting the demands of the global market. This system should be designed to ensure that goods and services are sourced in an efficient and cost-effective manner. Organizations in Jordan should invest in infrastructure

to improve access to global markets. This includes investments in transportation, communication, and other infrastructure that can facilitate the procurement process. Jordan government should promote political stability in the country. This should be done through increased education, increased access to resources, and increased economic opportunities.

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