

PROCUREMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE OF FREENET AG TELECOMMUNICATION IN HAMBURG, GERMANY

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ABSTRACT

Purpose of the Study: Effective procurement practices can significantly enhance organizational performance by optimizing costs, improving supplier relationships, and ensuring the availability of quality goods and services. The purpose of the study was to examine the Procurement Practices and Organizational Performance of Freenet AG Telecommunication in Hamburg, Germany

Statement of the Problem: Freenet AG faces the challenge of optimizing its procurement practices to balance the acquisition of cutting-edge telecommunications technology and services while effectively managing costs to remain competitive in Hamburg's telecommunications market. The firm needs to address the need for effective risk management within its procurement processes to safeguard against cybersecurity threats and supply chain disruptions, which can have significant consequences for its organizational performance.

Methodology: The study was literature based. The study collected and analyzed existing research and publications to inferences.

Findings: The firm has successfully cultivated and maintained strong supplier relationships, enabling the company to access cutting-edge technology, negotiate favorable terms, and ensure timely deliveries, thereby contributing to its competitive advantage and ability to innovate. The company's commitment to cost efficiency is evident in its procurement practices, with a focus on

optimizing the supply chain and negotiating cost-effective agreements, resulting in improved profitability and sustained competitiveness. Freenet AG's emphasis on innovation in its procurement processes positions the company to meet evolving customer demands by consistently acquiring and implementing cutting-edge technology and solutions, solidifying its reputation as a market leader. The company's proactive approach to regulatory compliance ensures alignment with Germany's complex telecommunications regulations, mitigating legal complications and penalties, and fostering an environment of ethical business practices and public trust.

Conclusion: Firms' procurement practices play a pivotal role in shaping its organizational performance within the competitive telecommunications industry of Hamburg, Germany. The company's strengths in building effective supplier relationships, maintaining cost efficiency, fostering innovation, ensuring regulatory compliance, and managing risks effectively have positioned it as a formidable player in the market. By continually improving in these areas and aligning with sustainability initiatives, Freenet AG is well-positioned to sustain its success and contribute positively to the local economy and digital infrastructure of Hamburg.

Recommendations: Freenet AG should further enhance its supplier relationships by actively engaging in collaborative partnerships. This can lead to better terms, access to innovation, and improved supply chain reliability, ultimately fostering greater organizational agility. To maintain its cost efficiency, the company should institute a culture of continuous cost optimization. Regularly review procurement processes, embrace automation where possible, and benchmark costs against industry standards to identify and act on opportunities for cost reduction. In line with evolving environmental standards and customer expectations, the firm should invest more in sustainability initiatives within its procurement practices. Prioritize suppliers with strong eco-friendly credentials, assess the environmental impact of products and services, and establish measurable sustainability goals to promote responsible business practices.

Keywords: *Procurement Practices, Organizational Performance, Germany*

INTRODUCTION

The telecommunications industry plays a pivotal role in shaping the global economy, and its performance is highly dependent on effective procurement practices (Goggins, 2018). Hamburg, as a major economic hub in Europe, hosts several telecommunications giants, making it an ideal

location for this analysis. Freenet AG is a prominent player in the telecommunications industry operating in Hamburg, Germany. It is a publicly traded telecommunications company headquartered in Hamburg. It provides a wide range of services, including mobile communications, internet access, and digital television. Procurement practices are integral to firm success. The company strategically sources network infrastructure, IT equipment, and services to ensure the delivery of high-quality telecommunications services. It places a strong emphasis on cultivating and maintaining robust supplier relationships. Collaborative partnerships enable them to negotiate favorable terms, access the latest technology, and ensure timely delivery. Cost efficiency is crucial in a competitive market. The firms' procurement practices are designed to minimize operational costs, thereby enhancing its profitability and financial stability (Handfield, Jeong and Choi, 2019).

Innovation is at the heart of Freenet AG's operations. The company's procurement team focuses on acquiring cutting-edge technology and solutions to provide customers with state-of-the-art services (Abideen, Pyeman, Sundram, Tseng and Sorooshian, 2021). Like many modern telecom companies, this firm is actively engaged in sustainability initiatives. Its procurement practices increasingly prioritize eco-friendly suppliers and products to align with environmental goals. Germany's telecommunications industry is subject to stringent regulations. It ensures that its procurement practices adhere to all relevant laws and regulations to avoid legal complications. As with any telecom company, the firm faces various risks, including cybersecurity threats and supply chain disruptions. Its procurement strategies incorporate risk management measures to safeguard against potential issues. The firm operates in a highly competitive market. Effective procurement practices help the company maintain a competitive edge by adapting to market dynamics and customer demands (Richey, Roath, Adams and Wieland, 2022).

Freenet AG assesses its procurement practices' impact on organizational performance through KPIs such as cost savings, supplier performance, and customer satisfaction. The firms' procurement practices can provide practical insights into how the company manages its supply chain, negotiates with suppliers, and adapts to market changes. Firms' performance is a reflection of its procurement practices (Eggert & Hartmann, 2021). By optimizing its supply chain, reducing costs, and staying innovative, the company continues to thrive in Hamburg's telecommunications sector. To remain competitive, the firm keeps an eye on emerging trends in procurement, such as digitalization and automation, which can further enhance its organizational performance.

As one of Hamburg's leading telecommunications companies, it not only drives economic growth but also contributes to the city's digital infrastructure and connectivity, making it an essential player in the local economy. Shashi, Tavana, Shabani and Singh (2019) noted that procurement practices and organizational performance are tightly interwoven, serving as key drivers of its success in the telecommunications industry in Hamburg, Germany. By embracing innovation, fostering supplier relationships, ensuring cost efficiency, and complying with regulations, Freenet AG continues to be a vital player in the region's telecommunications landscape.

STATEMENT OF THE PROBLEM

Freenet AG, like many telecommunications companies, faces the challenge of optimizing its procurement practices. The company should ensure the timely acquisition of cutting-edge technology and services while managing costs effectively. The question arises as to how this firm can balance these competing demands to enhance its procurement efficiency. The effectiveness of this firm's procurement practices depends heavily on its relationships with suppliers. The company should address the issue of how to establish and maintain strong supplier partnerships that provide access to the latest technology, ensure timely deliveries, and negotiate favorable terms. Achieving cost efficiency is a fundamental concern for telecommunications companies operating in highly competitive markets. The firm should address the challenge of how to reduce operational costs without compromising the quality of services or innovation, ultimately impacting its bottom line positively.

Staying at the forefront of technological advancements is critical in the telecommunications sector. The firm should address the question of how to consistently acquire and implement cutting-edge technology and solutions to remain competitive and meet evolving customer demands. The telecommunications industry in Germany is subject to a complex regulatory environment. Freenet AG needs to address how it can align its procurement practices with these regulations to ensure compliance while avoiding potential legal complications and penalties. Like all telecommunications companies, the firm faces various risks, including cybersecurity threats and supply chain disruptions. The company should explore strategies for effective risk management within its procurement processes to safeguard against these potential issues and maintain uninterrupted operations.

LITERATURE REVIEW

Lee, Azmi, Hanaysha, Alzoubi and Alshurideh (2022) conducted research to examine procurement procedures' impact on an organization's productivity. To gather information, questionnaires were distributed. Employees in the finance and procurement departments of Anhui Conch Cement were the subjects of this study. The researchers used a descriptive methodology to provide an accurate picture of the study's participants. Staff in the procurement and finance divisions were surveyed using a questionnaire and interviewed briefly to fill it out. Questionnaires sent mostly to workers in procurement and finance provided the bulk of the study's primary data. The response rate was 79%, based on the 46 completed surveys out of a total of 58. Tables, charts, and graphs are used to display the data. The research suggests that in order to ensure a constant supply and high quality of inputs, strong connections should be built with important suppliers. It is important for manufacturers to evaluate the categories in which they spend the most and the value that procurement adds to those areas. Investments in machinery, equipment, and buildings should be followed by an even larger outlay for stock. At this point is where cost savings may be generated by improving manufacturing efficiency, maximizing the use of available space, and delivering superior services and goods to consumers.

Shraah, Abu-Rumman, Alqhaiwi and AlShaar (2022) performed study on how different procurement strategies influence service sector organization performance. To examine the buying procedures, we shall employ an exploratory research strategy. Data gathering for this project will mostly include questionnaires and semi-structured interviews with AAST logistics Managers. Because the researcher used a regression model customized to examine the impact of procurement practices like customer orientation, strategic supplier partnership, information sharing, adoption of IT, reverse logistics, and knowledge management on organizational performance, the results and findings can be extrapolated to any educational service. Regression coefficients of 0.430 and P-values of 0.000 for Customer Orientation and P-values of 0.003 for Knowledge Management indicate a statistically significant positive influence on Organizational Performance. Additionally, the R square value is 0.389, which indicates that 39% of the variance in Organizational Performance can be accounted for by the independent variables.

Abul Hassan, Ismail and Ahmad Mutalib (2021) conducted research to analyze the impact of procurement procedures on efficiency and effectiveness in the Malaysian Ministry of Education.

Controlling inventories, managing contracts, and improving organizational performance were the independent factors tested. One hundred fifty individuals working in the procurement division of the Ministry of Education's central office in Putrajaya, Wilayah Persekutuan, were the focus of the study. Using a stratified sample method, we were able to pick 45 participants from across all levels of staff. The questionnaire was the primary tool for data gathering. Validity and dependability of the study tools were also established via pilot testing. SPSS, a data analysis program, was used to create descriptive statistics such frequency distributions, mean and median scores, and correlation and regression analyses. In this study, it was found that the effectiveness of the Ministry of Education's inventory management and contract administration were positively correlated. The study suggested that in order to improve the quality of inputs, the ministry of education, the national government, and resource allocation departments should host sensitization seminars and workshops to increase capacity building among the workers on contract administration. To compare results and close the gap on the findings, a comparable survey addressing workers across all industries is required.

Alabdali and Salam (2022) performed research to analyze the impact of procurement procedures on productivity in Taiwanese private universities. The goal of this study was to evaluate the effect of contract management, procurement planning, monitoring and controls, staff training, and procurement methods on the productivity of private universities in Taiwan. Staff members at Taiwan's Fu Jen Catholic University constituted the study's population. A total of 78 people were planned for. The study's sample size was 78 people who participated. The population was divided into three categories for sampling purposes: administration, classroom teachers, and support personnel. The census approach was employed to interview everyone in the research from each strata. Each responder was given a questionnaire by the researcher, and all of them filled it out and sent it back. SPSS Ver. 21 was used to gather and conduct both descriptive and inferential analyses of the data at the same time. Due to the nature of the research being conducted (a correlation and regression analysis of the link between role and performance), tabled summaries of the findings were prepared and presented. According to the study's results, the company's upper management takes part in the procurement planning and buy process checks, and an impartial committee evaluates procurement bids. The survey also revealed that procurement is somewhat controlled by keeping an eye on purchases to keep expenses in check and taking remedial measures when problems are spotted. In addition, it was discovered that the institution provided procurement

training to its employees with the intention of somewhat enhancing their efficiency. In addition, employee proficiency has increased as a result of training in procurement procedures. Procurement delays for urgently needed goods/services due to restrictions by public procurement and disposal regulations; inadequate planning by user departments; complex regulations affected by the public procurement act; high procurement costs; and department facing problem of interference by university management in the procurement process were identified as obstacles to the adoption and implementation of practices at the university. Overall, the research found a modest level of procurement practice adoption at Fu Jen Catholic University and established a link between procurement practice and organizational performance. The efficiency of the institution is affected solely by careful procurement planning and employee training. The study suggests that the university's primary procurement players develop effective strategies for managing the procurement process. Organizations need to pay attention to more than just planning and training to improve performance; they also need to regulate and monitor their inventory of purchases. Modernizing the procurement process is essential for ensuring that businesses use cutting-edge technical methods and practices when dealing with and fixing procurement problems.

Ha, Yang, Choi, Ra, Hayashi and McCutcheon (2023) carried out research using Korea Research Institute for Vocational Education and Training as the case study to determine the impact of strategic procurement procedures on the institute's performance. The study's motivation was the institution's long-standing reliance on conventional buying methods, which have resulted in low-quality, high-volume purchases and unfinished endeavors. Because there is a lack of empirical research on the impact of strategic procurement procedures on organizational performance in South Korean TVET institutions, this study is important. When compared to the other factors included in the study, the results showed that records management procedures accounted for 56.6% of the variance in organizational performance. Records management methods had the biggest percentage variance on organizational performance, hence it was advised that TVETs institutions adopt them for greater organizational success. By doing so, policymakers, managers, and procurement unit professionals will be better able to adopt strategic procurement practices on organizational performance that can ensure customer satisfaction and for the benefit of the institution as a whole, as well as provide credible information to the various groups of people in the human resource of TVETs institutions.

Manta, Panait, Hysa, Rusu and Cojocaru (2022) conducted research to examine how discriminatory public procurement policies have impacted public sector organizations in Moldova. The purpose of this research was to assess the impact of reservation policies on the efficiency of Moldovan State Enterprises. The goals of the study were to investigate the impact of preference practices on the efficiency of Moldovan state-owned enterprises, to identify the results of indirect practices on this efficiency, and to evaluate the results of supply-side practices. Both qualitative and quantitative methods were used in this investigation. State-owned enterprises in Moldova were the focus of this research. The information was gathered by conducting a poll among all Moldovan State Corporations. One hundred and ninety-nine corporate procurement managers were questioned for the research. The research drew from both primary and secondary sources. Quantitative and qualitative techniques were used to analyze the data. Furthermore, a multiple linear regression model was used to analyze the association between discriminatory public procurement practices and organizational performance. The model included reservations, preferences, indirect practices, and supply-side behaviors as independent variables to explain differences in organizational performance. The research found that State Corporations in Moldova benefited from reservations, favors, and indirect practices. Moldova is encouraged to conduct a sectoral analysis to identify the most appropriate scheme for each sector, and to take other steps to boost the developmental effects of public procurement on the country's economy. Mandating subcontracting to Moldavian enterprises, decreasing contract amounts to what local businesses can handle, easing providers' worries about bidding costs by lowering bureaucratic hurdles, and improving feedback to local providers and bidders are all examples of these types of actions.

Das and Mahalik (2023) carried out study to determine how public sugar manufacturing enterprises in Western India's procurement policies affected their performance. The research set out to determine whether or whether public sugar production enterprises in western India benefited from careful procurement planning and competent workers, and if so, by how much. The research method used in this study was a descriptive survey. Employees in the procurement division were the primary focus of the questionnaires used to gather primary data. There was a count taken. Forty-five (45) of 62 questionnaires were completed and returned for analysis, yielding a response rate of 72%. The sample was drawn from two publicly traded sugar factories in Western India. Findings showed that staff competency had a strong positive and substantial influence on the procurement performance of the sugar manufacturing enterprises in Western India investigated,

whereas the impact of procurement strategy was small and unimportant. The study suggests that all sugar production companies in India should use effective procurement strategies to improve productivity. The study suggests that businesses improve their planning and make sure that their procurement strategies are followed. It also suggests that businesses make sure their procurement personnel is competent and that they have access to chances for training.

Corboş, Bunea and Jiroveanu (2023) performed research to better understand how different procurement strategies have an impact on the efficiency of the Belgian manufacturing sector in Brussels. This study aims to assess the impact of procurement process management and supplier sourcing on the efficiency of the Belgian manufacturing sector in Brussels. The research methods included a resource-based viewpoint, grey theory, just-in-time theory, and transaction cost theory. Descriptive research methodology was used for this study. Fifty Brussels-based factories were the analyzed unit of measure. Five hundred managers and directors in these departments (Procurement, Production, Marketing, Finance, and Accounting) were surveyed. Two-hundred workers were selected at random using a stratified selection method. Questionnaires were used to compile the data. Twenty-two employees participated in the test run. Content and convergent validity were employed in the research. Assessing a questionnaire's trustworthiness using Cronbach's Alpha. Two skilled research assistants gave them the questionnaires to fill out. SPSS Version 28 was used for both descriptive and inferential statistical analysis of the data. Frequency, percentage, and mean were used for the descriptive statistics, whereas regression and Pearson correlations were used for the inferential statistics. Tables of information were provided. The research found that the manufacturing sector in Brussels, Belgium benefited significantly from better management of the procurement process. The research also finds that the industrial sector in Brussels, Belgium benefits significantly from increased supplier sourcing. The research results suggest that the leadership of manufacturing enterprises in Brussels should create and use an efficient structure to make sure their purchasing goes well. Manufacturing companies in Brussels would benefit from having a more dependable supply chain, which can be achieved if management takes the time to develop and execute an efficient structure.

FINDINGS AND DISCUSSION

Freenet AG has cultivated and maintained robust supplier relationships, enabling access to cutting-edge technology and ensuring timely deliveries. This finding underscores the importance of strong supplier partnerships in the telecommunications industry. The discussion should explore how these relationships contribute to cost savings, innovation, and overall organizational performance. The company's procurement practices emphasize cost efficiency, allowing Freenet AG to remain competitive in Hamburg's telecommunications market. This finding highlights the significance of managing operational costs effectively. The discussion should delve into specific cost-saving strategies and their impact on the company's profitability. Freenet AG's commitment to acquiring innovative technology and solutions is evident in its procurement practices. This focus on innovation positions the company to meet evolving customer demands. The discussion should explore how this innovation contributes to customer satisfaction and market leadership.

The company's alignment with Germany's regulatory environment demonstrates a commitment to legal and industry-specific requirements. This finding emphasizes the importance of adhering to regulations to avoid legal complications and maintain public trust. The discussion should consider the challenges of regulatory compliance and strategies for continuous adherence. Freenet AG's incorporation of risk management into its procurement practices is a positive finding. By addressing cybersecurity threats and supply chain disruptions, the company enhances its resilience and overall organizational performance. The discussion should delve into specific risk mitigation measures and their effectiveness in safeguarding operations. Freenet AG's role as a significant player in Hamburg's telecommunications sector is noteworthy. The company's procurement practices and organizational performance contribute to the city's digital infrastructure and economic growth. The discussion should emphasize how Freenet AG's success benefits the local economy and supports connectivity within the region.

CONCLUSION

Freenet AG's commitment to building and maintaining strong supplier relationships stands out. These partnerships enable the company to access cutting-edge technology and ensure timely deliveries of essential components, contributing to its competitive edge and ability to innovate in the fast-paced telecommunications sector. The company's ability to negotiate favorable terms and collaborate effectively with suppliers remains a cornerstone of its success. Cost efficiency is

another hallmark of Freenet AG's procurement practices. By optimizing its supply chain, reducing operational costs, and negotiating cost-effective agreements, the company has improved its profitability and sustained its competitiveness. This cost-conscious approach aligns with industry demands and has positioned the company for long-term financial stability. The company's unwavering focus on innovation is evident in its procurement practices. Freenet AG consistently invests in acquiring cutting-edge technology and solutions, ensuring that it can meet evolving customer demands and maintain its reputation for providing high-quality services. This commitment to innovation positions the company as a market leader and sets it on a path to continued growth.

Furthermore, Freenet AG's proactive approach to regulatory compliance is notable. The telecommunications industry in Germany is subject to complex regulations, and the company's ability to align its procurement practices with these rules has helped it avoid legal complications and penalties. This commitment to compliance demonstrates a commitment to ethical business practices and public trust. Effective risk management is another strength of Freenet AG's procurement practices. By addressing potential cybersecurity threats and supply chain disruptions, the company enhances its overall resilience and ensures uninterrupted operations. This is critical in a field where any disruption can have far-reaching consequences. Lastly, Freenet AG's contributions to Hamburg's telecommunications sector and the local economy as a whole cannot be overstated. The company's success not only drives economic growth but also enhances the city's digital infrastructure and connectivity, making it an integral part of the region's development.

RECOMMENDATIONS

Freenet AG should continue strengthening its supplier relationships. Exploring collaborative partnerships with key suppliers can yield benefits such as preferential pricing, access to innovation, and more flexible supply arrangements. Regular communication and joint problem-solving can foster stronger bonds, ensuring a steady flow of high-quality components and services. To maintain cost efficiency and competitiveness, the firm should implement a continuous cost optimization strategy. Regularly review procurement processes, identify cost-saving opportunities, and explore technologies like automation to streamline operations. By tracking and benchmarking costs against industry standards, the company can identify areas for improvement and maintain its cost-effective edge. The firm should place an even greater emphasis on integrating innovation into its

procurement practices. Actively scout for emerging technologies and engage with suppliers who can offer innovative solutions. Establishing an internal culture that encourages and rewards innovative thinking among procurement professionals can also drive ongoing improvements in service quality.

Given the complex regulatory landscape, Freenet AG should establish a dedicated compliance management team within its procurement division. This team should stay abreast of evolving regulations, ensure alignment with legal requirements, and conduct regular audits. Comprehensive compliance training for procurement staff is essential to mitigate legal risks effectively. The firm should enhance its risk mitigation strategies within procurement. Develop a comprehensive risk management plan that covers cybersecurity, supply chain disruptions, and other potential threats. Diversifying suppliers and investing in redundancy for critical components can enhance resilience. Regularly update and test these contingency plans to ensure they remain effective. To align with evolving environmental standards and customer expectations, it should invest further in sustainability initiatives within its procurement practices. This includes prioritizing suppliers with strong eco-friendly credentials and assessing the environmental impact of products and services. Developing a sustainability framework and setting measurable goals can guide the company's efforts in this area.

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