UNIVERSITI TEKNOLOGI MARA

THE MODERATING ROLE OF TOTAL COST OF OWNERSHIP IN PROCUREMENT TRANSFORMATION IN ENHANCING THE EFFICIENCY OF GOVERNMENT-LINKED COMPANIES

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ABSTRACT

GLCs have established as the backbone of the Malaysian economy. GLCs have significant role in the sectors such as telecommunications, public transport, airlines, banking and financial institutions. As the Government is aiming towards a strong, efficient and more resilient force for GLCs to face future competition in the business world, the Government-Linked Companies Transformation (GLCT) programme was introduced in May 2004. In relation to the performance of GLCs, this study investigates the relationship between procurement cost management and efficiency in GLCs. Therefore, two methodologies were employed in this study. First methodology is the Data Envelopment Analysis (DEA) to scrutinise the three types of efficiency; Technical Efficiency (TE), Pure Technical Efficiency (PTE) and Scale Efficiency (SE). this type of efficiencies are then the dependent variable for this study. Then, panel data analysis was adopted by using the Generalised Method-of-Moment (GMM) estimator. The proxies for procurement cost management are Total Asset Turnover (TATO), Fixed Asset Turnover (FATO), Inventory Turnover (ITO), Accounts Receivable Turnover (ARTO), Capital Expenditure (CAPEX) and Operational Expenditure (OPEX). The study determines to find the significant relationship between TATO, FATO, ITO, ARTO, CAPEX and OPEX with TE, PTE and SE. For PTE, only ITO has positive relationship. The rest of the proxies have negative relationship. When it comes to SE, FATO has negative relationship with SE but other proxies have positive relationship with SE. For this study, TCO as one of the management accounting tools act a moderating variable to indicate the relationship between procurement cost management and efficiency. TCO has a significant positive impact on the relationship between TATO, FATO, ITO, ARTO and OPEX and TE. In relation to PTE, the same goes to TATO, FATO, ITO, and ARTO. Meanwhile for SE, only TATO, ARTO, CAPEX and OPEX have significant positive relationship with it. As for conclusion, the presence of TCO has increase slightly the efficiency of GLCs. For the three types of efficiency, the best indicator for the efficiency of GLCs is TE. Nevertheless, since the SE score is lowest, it was proven that GLCs have to give more focus on their operation rather than their management wise. Due to that, giving focus to the procurement is one of the most important in increasing the performance of the GLCs as a whole.

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