RESEARCH TOPIC: AN INVESTIGATION ON THE EFFECTIVENESS OF CENTRALISATION ON THE FINANCIAL PERFORMANCE OF CIMAS MEDICAL LABORATORIES

BY

JOEL MAZANHI

R123724Y

This dissertation is submitted in partial fulfilment of the requirements of the Bachelor of Commerce Honours Degree in Accounting in the Department of Accounting at Midlands State University.
RELEASE FORM

NAME OF AUTHOR: MAZANHI JOEL

TITLE OF PROJECT: An investigation on the effectiveness of centralisation on the financial performance of Cimas Medical Laboratories.

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The undersigned certify that they have supervised the student’s dissertation entitled: An investigation on the effectiveness of centralisation on the financial performance of Cimas Medical Laboratories, submitted in Partial fulfilment of the requirements of the Bachelor of Commerce Accounting Honours Degree with Midlands State University.

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DEDICATION

This piece of work is dedicated to my mum. She saw that I can and I did.
ACKNOWLEDGEMENTS
Firstly I would love to give glory and honour to my God. I thank Him for He causes us to triumph in Christ, and make manifest the savour of His knowledge by us in every place.
Special thanks go to my supervisor Ms Mhaka for being a source of inspiration. Her wisdom and contribution to this researcher are priceless.
Many thanks go to the Management and staff of Cimas Medical in the Accounting/Finance and operations departments for their efforts in making this piece of work available. I would like to thank the Believers Love World Incorporated especially the Midlands State University Campus Ministry for the spiritual mentorship I received which is built me up and is still building up.
The efforts and encouragement of my friends and family cannot but be greatly appreciated. I thank especially Ms C. Gwenyambira and Mr J. K. Mukumba for their unwavering support.
The research was undertaken to investigate the effectiveness of centralisation on the financial performance of Cimas Medical Laboratories. The objectives sought to find out the effects of centralisation of authority on the financial performance of an organisation. Descriptive design was used in this study and the presentation, analysis and interpretation of data was done using tables, charts and graphs. A sample of 30 participants was used being drawn from the population and management of employees of 48 participants. Data gathering methods used include questionnaires and interviews and these provided data for the research. This was presented in graphs, tables and charts as also expressed as percentages. The ethical issues were also considered to maintain confidentiality. No disclosure should be made on the data received from the research subjects but only for the intended use which is for academic purposes. It was found that centralisation has more of negative effects which hinder the operations of an organisation as compared to the positive effects. These hindrances in the operation of an organisation negatively affect the financial performance of an organisation. These negative effects among others include increases in costs, running out of inventory and delays in performance of works. The recommendations made centred mostly on the delegation of authority, which is the decentralisation of decision making to lower management levels.
DEFINITION OF TERMS

Centralisation- the process by which the decision making authority within an organisation becomes concentrated in a particular location and or group, usually at the top management (Ghuman, 2010)

Decentralisation- refers to the decentralised, directed from centre to periphery, organised around and such and relates to the transfer of authority from the centre to the subordinate ends (Ozmen, 2014)

Financial performance- refers to the measuring of the results of a firm’s policies and operations in monetary terms (Business Dictionary, 2016)
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CHAPTER 1: INTRODUCTION

1.0 INTRODUCTION
This chapter covered the background of the study, the statement of the problem, main research question, objectives of the research and research’s sub questions. It also covered the significance of the study, the assumptions made for the research, the limitations and delimitations of the study. A summary of the chapter is given at the end of this chapter.

1.1 BACKGROUND OF THE STUDY
(Chand, 2015) says that centralisation and decentralisation constitute an important problem in an organisation and relates to whether authority should be concentrated or dispersed throughout organisational structures. (Acharyal, 2012) makes it clear that centralisation results in reduced costs which include office costs because it does not emphasise on more specialists, specialists will only be hired to fill few positions on the top of the organisational structure. (Serpytis, 2011) states that centralisation results in better decisions being made, hence lower costs, if any, as errors are minimised as compared to decision making under decentralisation. However, (Wilkinson, 2013) argues that centralisation slows down operations which is a cost or expense in paid but not used man hours. It is also a cost in terms of loss in potential revenue due to the effects of the same (Zaineb, 2011). This research is therefore aimed at investigating the effectiveness of centralisation on the financial performance of Cimas Medical Laboratories (CML).

On the aspect of human resources, a worker has to come from the headquarters in Harare to replace any branch worker who may be on leave or any other cause of absenteeism. Costs of
employment triple as there will costs of accommodation of $1400 per month as well as out of station costs of $600. The gap of the worker sent to other branches will not be filled which leads to loss of output of that person at the headquarters, thus loss of potential revenue. To counter the challenge, there is need for overtime and other expenses on existing employees which rise from normal of $1 100 to $1 970. These issues will reduce profits in terms of increase in costs. The December 2014 to February 2015 employment costs in operations increased from $29 100 to $33 174, hence reducing profits because of one worker who was on maternity leave.

The purchasing of CML is also centralised. This purchasing cycle is usually 2 weeks long or more instead of at most 1 week. The executives are there to make decisions on any issue (Lombardo, 2015). This delay leads to losses in terms of output foregone with drop in cash sales of $9 600 from $32 000 that is potential revenue as walk-in patients would opt for Lancet Clinical Laboratories, CML’s competitor, this being around 30% of cash sales in the last quarter of 2014 (CML Quarterly Performance Report, 2014). One of the branches in Harare had a leaking pipe May 2015 which took a week to be repaired all because of the order processing. Tests could not be run and led to losses in potential revenue, thereby affecting financial performance. Orders for raw materials also go through the same process and because of that stockouts of more than 3 weeks occurred especially for Gweru and Kwekwe branches in March 2015. This brought a bad reputation and walk in patients opted for competitors over CML. Cash sales dropped by $414 from $3100 thus affecting the financial performance of CML. The Gweru branch car had a breakdown for 2 weeks into January 2015 and samples could not be collected from collection points and led to loss in potential revenue, thereby affecting financial performance (December Management Report, December 2014)
CML has a centralised storage/warehousing. Inventory control on raw materials for the headquarters and the branches is a challenge since demand for materials fluctuates. This leads to stock outs and branches usually suffer the consequences and loss of revenue is experienced as well as loss of reputation. Tests could not be run affecting the performance of CML in terms of losses in output as well reputation loss. Inventory expiry was evidenced in the first half of 2015 with inventory of nearly $20 000 being written off because of the ineffectiveness of centralised storage and inventory control. This increased expenses thereby reducing profits, thus affecting financial performance of CML. The carriage of inventory from the headquarters to the different branches is very costly and constitutes around $2 300 of around $3 000 of local travel costs which reduce profits therefore affecting financial performance. Overally stock outs led to potential revenue loss as well as an increase in the cost of sales by 8% in the first half of 2015 as a result of quick purchasing to close the shortage gap. More so, CML walk in patients have reduced significantly by 40% due to centralised marketing function.

1.2 PROBLEM STATEMENT
CML is a centralised organisation. Most of its work is done at the headquarters. This is to cut human resources cost of employing more specialists. However, this strategy of results in increased costs in terms of carriage services, loss of output due to delays, expiry of inventory, lost output or potential revenue due to delays in authorisation, loss of reputation due to delay in performance of work as well as stock outs as a result of ineffective inventory control which includes branches’ inventory. Centralisation therefore is not effective on the financial performance of CML.
1.3 **MAIN RESEARCH QUESTION**

- Is centralization effective for an organisation’s financial performance?

1.4 **RESEARCH OBJECTIVES**

- To evaluate the effects of centralization on procurement of goods and services at CML.
- To assess the effects of a long chain of command on authorization with regards to operations of the headquarters and other branches.
- To assess the effects of a centralization on storage of inventory and its management.
- To assess the effects of centralised distribution of inventory at headquarters on operations.
- To evaluate the effects of a centralised payment process on branch and headquarters operations.

1.5 **SUB-RESEARCH QUESTIONS**

- What are the effects of centralization on procurement of goods and services at CML?
- What are effects the effects of a long chain of command on authorization with regards to operations of the headquarters and other branches?
- What effects arise as a result of centralization of inventory storage and management?
- How does centralised distribution of inventory affect operations?
- What are the effects of a centralised payment process on branch and headquarters operations?

1.6 **SIGNIFICANCE OF THE STUDY.**

The research is important to the student as it is a requirement in completion of studies of the Bachelor of Commerce Accounting Honours Degree as well as augmenting the analytical skills
of the researcher. The research may be used by students from the university as a source of reference on the effectiveness of centralisation of authority. This research may help Cimas Medical Laboratories in evaluation of company policies in terms of centralisation of authority and make changes where and when necessary to improve its financial performance. The research may also benefit players of the industry on the determination of authorisation policies.

1.7 ASSUMPTIONS

- The results of the sample size selected would be a representation of the whole target population under study.
- The respondents will have enough time to give considerable feedback on questionnaires and interviews.
- The respondents will supply accurate information reflecting the facts on the ground.
- Resources are going to be enough for the research costs.

1.6 LIMITATIONS

Information is obtained at the headquarters in Harare. To overcome this challenge, information is obtained from internal staff at the headquarters pertaining to the branches. Some respondents might not give information which is accurate due to failure to understand the research questions. As a bridge to the challenge, questions shall be presented in different ways and explained to respondents. Some of the respondents chosen might not have time to respond to the questionnaires. To overcome the challenge, the researcher will schedule the interviews schedules with the respondents at the time the respondents are free or seem fine to them.
1.7 DELIMITATIONS

The research is limited to Cimas Medical Laboratories that is one case only. It is confined to Cimas Medical Laboratories headquarters in Harare. The internal sources covered only 2 financial periods of 2014 and 2015 both ending 31 December. The target population will be management and employees of Cimas Medical Laboratories.

1.8 SUMMARY

The chapter introduced the research topic being “The effectiveness of centralisation on the financial performance of an organisation”. The organisation under study was Cimas Medical Laboratories. It also discloses the research problem that is investigated giving the background of the study and the problem of the statement. The significance of the study, the assumptions made as well as limitations and delimitations of the research were also in this chapter.

The chapter also highlighted the research problem investigated, the background of the study, the statement of the problem, the purpose of study, the objectives that guided the research.
CHAPTER 2: LITERATURE REVIEW

2.0 INTRODUCTION
A literature review surveys books, scholarly articles, and any other sources relevant to a particular issue, area of research, or theory, and by so doing, provides a description, summary, and critical evaluation of these works in relation to the research problem being investigated (University of Southern California, 2011). This chapter discloses the existing literature that is related to the area of study. These are views, arguments as well as opinions of various authors pertaining to the effectiveness of centralisation on the financial performance of organisations. This review identifies gaps from the existing literature, pointing out areas of conformity as well as the differences of these authors in the domain of financial performance of organisations as a result of centralisation.

2.1 EVALUATING THE EFFECTS OF CENTRALISATION ON PROCUREMENT OF GOODS AND SERVICES IN AN ORGANISATION.
Centralised procurement implies that purchasing decisions are made either by company headquarters or some regional or divisional level (K B Manage, 2014). This is a concept whereby the function of purchasing is centred at the apex of the organisations and any decisions relating to the function are concentrated at one point, the headquarters.

2.1.1 Increase in costs.
A centralised procurement system being used in an organisation has a negative impact on costs incurred by an organisation. (Weaver, 2011), (Empoli, 2013) and (Albano, 2014) stress out that centralized procurement is not suitable, if branches are located in different geographical locations. This is because there is need to carry the purchased goods to their respective destinations, other branches, which is costly to the organisations. These carriage costs can be
avoided if the goods are purchased locally. Costs are supposed to be minimized to maximize profits but central procurement increases costs in the form of carriage costs. On the other hand centralised procurement system is beneficial to organisations both in monetary and non-monetary terms as claimed by Kotler et al (2015), Trybus (2014) and Stone (2013). They argue that when an organisation uses a centralised procurement system, it enjoys economies of scale in the form of discounts received in procurement as bulky goods are purchased. Suppliers usually sell their products at standardised prices but negotiations can be made to reduce the price if a certain large quantity is to be bought. This quantity is usually far above the normal quantities bought. As a result, the discount received is a benefit to the buying entity since less than expected resources will flow from the entity, leading to less expenses being incurred. Carriage costs can be reduced as large quantities of materials are purchased and these are carried at once meaning that carriage costs are spread over that one consignment.

However, indifferently Monczkai et al (2015), Neal (2013) and Gopalakrishnan et al (2015) believe that neither centralization nor decentralization of the procurement function of an organisation has an impact on the organisation’s financial performance. They state that there is no relationship between the two but all that matters is the functionality of the organisation as a whole, what it needs to achieve and how it can be achieved.

At CML, there is centralised purchasing and they are enjoying purchasing economies of scale at the same time incurring carriage costs to branches. The above authorities failed to have a mutual ground as to whether centralised procurement is of a benefit to an organisation or not hence the need for this research
2.1.2 Increase in prices and loss of competitive advantage.

Busch (2014), Accounting-Management (2012) and Serpytis et al (2011) argue that the centralization of the procurement function is costly to the organisation since there is need for high initial investment to procure goods for all branches. Such an investment has to be borrowed and the cost of borrowing increases costs to the organisation resulting in a higher markup being charged on products and services. They also argue that this system is costly in terms of transporting inventory to the branches besides enjoying the economies of scale of the transporting inventory to the central storage. These carriage costs increase the production costs and the resultant markup will be high leaving an organisation with no competitive edge in the market as prices will be higher than those of competitors. Centralised procurement is mainly characterized by the mechanism of the use contracts to purchase goods and services. This is a disadvantage if there are reductions in the prices of the materials in market. The organisation is obliged to buy from the contractual supplier even if the market price is lower than the contract price. This is an opportunity cost foregone as the organisation is bound by the contract. Competitors will then take advantage of such price reductions and offer their products in the market at a lower price thereby obtaining a larger market share which is a disadvantage to the organisation with contractual purchasing as it loses market share. Profits will thus decrease as a result of the reduction of revenue and hence worsening its financial performance. They also advocate that local (branch location) price reductions or special promotions cannot be utilized which gives competitors a competitive edge if they go for such price reductions and special promotions. It means that the competitors will offer their products in the market at a lower price than the organisation with a centralised procurement system and therefore taking a larger portion of the market share.
On a different view Johnson et al (2013), White (2011) and Moreau (2013) argue that an organisation has a competitive edge from these economies of scale since low purchasing costs lead to low production costs. As low production costs are incurred, the pricing strategy if based on the cost of production will be a low price being passed to customers in the market. All things being equal, more of the organisation’s products will be demanded when its prices are low, increasing the revenue and hence profits, that is betterment of financial performance. These authorities also advocate that centralised procurement also eliminates reckless purchasing and this safeguards the organisation’s assets and income, hence equipping itself to have a good stance in the market.

On tender purchasing, the organisation instead of seeking out different suppliers, it invites them to offer prices for goods it requires. This is will then result in an agreement being signed with the supplier who offers the lowest price. Contract prices do not change and this is a benefit to the organisation in an environment of increasing prices. The organisation will have a competitive advantage if it gets its materials at a lower contractual price than its suppliers. This enables it to gain a larger market share. The other benefit is that the contract price is known in advance and this makes planning much easier and this enhances the marketing strategy of the organisation. With the use of contracts, regular deliveries by the supplier means that the organisation does not need to hold high levels of inventory thereby reducing the amount of cash tied up in inventory.

The standardization of goods and services achieved through centralised procurement system allows an organisation to secure its market share in all areas of service through customer loyalty, the trio claimed. It is normal that customers of certain brands are always loyal to those brands no matter where they go. The standardization of products and services ensures that an organisation retains such customers as its branches and headquarters offer the same products in the market
despite their localities. This maintenance of the market share enhances the performance of an organisation and its branches.

Sako and Sato (2013), Dekker (2011) and Neal (2013) advocate that the prices at which goods are offered in the market by an organisation does not have any link with whether that organisation is centralised or not centralised. The increase or decrease in market share is also not linked to the centralization issue. However, CML is offering its products at higher prices than other competitors and its market share is decreasing.

With the authorities being unable to settle on the same facts of the impact of centralised procurement on the pricing strategy and market share issues, there is need to do an investigation, hence the need for this research

2.1.3 Stock outs and delay in work

(K B Manage, 2014), Baldi and Vannoni (2014) and Accounting-Management (2012) articulate that a centralised procurement system results in stock outs and delays in work. When a branch needs a replenishing of materials and has to go through a centralised procurement system there will be an experience of stock outs. These stock outs by branches have negative effects which include loss of potential revenue. This means that an organisation could have gained some revenue would it have some materials in stock to perform work. With centralised procurement, the procurement process takes time than decentralised procurement. This time taken in the process of procurement delays the performance of work. Such delays also lead to loss of potential revenue as well as tarnishing of the organisation’s image. One branch’s failure to provide quality services tarnishes the image of the whole organisation that is with its other
branches. This also affects the market share in the form of decrease since bad reputation chases away customers.

The standardization of products is a challenge when there is heterogeneous demand for the product. An organisation finds it difficult to meet the demands of each brand and some of branch need will go unmet. A branch has no choice of a supplier it wants and type of goods to be supplied. This therefore means that a branch with a special type of a particular service may be unable to provide. This failure to provide that particular service tarnishes the image of other branches and will then have a negative image to the customers which in turn may lead to a shrink in the organisation’s market share. The organisation’s financial performance is thus affected negatively. More so, in case of defect goods to the branches, the return of such goods may take more time than if they were bought locally. This also leads to stock outs and delays in performance of work.

For procuring services that have to be rendered to the organisation including its different branches, performance of work is delayed. For services such as repairs and services of machines, procurement has to be quick so that the machine break downs and service requirements do not hinder the performance of work. Under centralised procurement, such services take time than expected as compared to decentralized procurement. Such a system leads to delays in work which result in loss of potential revenue as well bad reputation to the organisation.

Kotler et al (2015), White (2011) and Moreau (2013) argue that centralised procurement does not have negative impacts on an organisation performance of work as well as the issue of stock outs. Under the right conditions, centralised procurement based on an aggregation of the purchasing needs of all the branches provides interesting opportunities in the market. With larger
procurement volumes, an increasing competition in the market normally follows, affecting prices and other terms in ways that are favourable to the organisations. Large volumes of inventory are purchased at once and this eliminates the chances of an organisation running out of stock. They state that the running out of stock after procurement of large volumes of goods is something that does not exist. Among other challenges that such an organisation faces, stock out is not part of the set.

Since stock outs are not part of the challenges of an organisation which uses centralised procurement, delays in work are also eliminated. The authorities argue that materials are always in stock and readily available for use. This means that operations are never disrupted by stock outs any work can be done at any time as per the requirements of those who need the work done. Therefore, with the elimination of delays in work, all negative effects that accompany such delays are also eliminated. There will be no loss of potential revenue neither will there be the tarnishing of the organisation’s image and ultimately the effect of a shrink of the proportion of the market that the organisation serves.

With the aforementioned authorities giving their views on the benefits and drawbacks befalling an organisation, Trebilcock (2013), Konamori and Motohashi (2011) and Neal (2013) stress out that delays in work and running out of stock are not caused by centralization nor decentralization.

However, such problems are experienced at CML but literature does not review the actual causes as the above authorities could not reach a consensus concerning the subject matter. There is therefore the need to do a research.
2.1.4 Expiry of inventory and tying up of cash in inventory

Kaipia et al (2013) Ozmen (2014) and Ezigbo (2012), state by the virtue of using centralised procurement process, large volumes of inventory are purchased. The inventory is prone to expiry when its supply is more than its demand. This expiry of inventory is loss to an organisation.

The authorities also claim that on the use of contract, excessive inventory may be purchased. If the contract is for a fixed amount to be supplied at a particular time, which turns out to be an overestimate, overstocking and expiry or deterioration could be a problem. Deterioration of inventory means that the resources used in acquiring such inventory are just wasted. These effects negatively affect the financial performance of organisations. In the same vein of contracts, if the service offered by the supplier proves to be unsatisfactory, it can be challenging to break the contract or to find alternative suppliers. If alternative suppliers are sought to perform the same job it means that the organisation is incurring reworking costs. Reworking costs are a hindrance to the operations of a business as they are incurred unexpectedly, that is off the budget.

Overstocking means capital in the form of cash is tied up in inventory. Cash is the lifeblood of business. Without cash, businesses cannot operate well. When cash is tied up in inventory, there is an opportunity of that cash being in the form of inventory. Inventory is the least liquid current asset which means it cannot be converted into cash with ease. The cash could be used for other purposes that benefit the organisation rather than being tied up in the inventory.

Monczkaic (2015), Trybus (2014) and Stone (2013) on a different view note that centralised procurement is an investment on its own. It does not lead to expiry of goods since there are deliberate plans on the quantity of the inventory to be purchased. They denote that inventory in hand is in large quantities is an advantage for the supply side of such inventory is not known.
Inventory is thus held just in case tomorrow there is a shortage. On the same note, inventory held in large quantities goes a long way in its use and in such a time, there may be price increases of such inventory. With the already bought inventory, an organisation cushions itself from the effects of such price increases. The firm is guaranteed that its cost of sales does not change till another batch of inventory is acquired. Therefore centralised procurement leads to future inventory availability as well as constant costs in a price increasing environment.

However Campbell et al (2011), Baldi and Vannoni (2014) and Dekker (2011) argue that there is no relationship between organizational performance in relation to inventory management and centralization. There are other factors which outline such effectiveness of management of inventory rather than the way authority and hierarchical formalization in an organisation.

The above authorities could not reach a mutual understanding on the subject matter and this current study will seek to answer if centralization of procurement has a bearing on inventory management.

2.2 ASSESSING THE EFFECTS OF A LONG CHAIN OF COMMAND ON AUTHORISATION WITH REGARDS TO OPERATIONS OF THE HEADQUARTERS AND OTHER BRANCHES

Kabuye (2013) defines chain of command as an aspect of organizational structure that is meant to show a clear line of responsibility from the top position to the bottom. It is established so that everyone knows to whom they are supposed to report to and the responsibilities they have at the levels they are. A long chain of command is a feature of tall organizational structures. The Open University (2016) describes a long chain of command as a situation where there is a large
number of levels in the management hierarchy and there is a narrow span of control. A span of control depicts the number of people who directly report to one individual.

2.2.1 Slow decision making

Rishipal (2014), Kuhn (2011) and Ezigbo (2012) point out that centralization of authorization is a detriment to operations of an organisation and hence the financial performance. Flat organizational structures are characterized by less layers of management. In flat organizational structures, employees are given authority and expected to take responsibility for a range of traditionally managerial decisions in their daily routines. This means that the employees can make decisions at lower levels as compared to centralised system where final decisions are made by the top management. Branch needs are met without delays. On authorization of transactions or activities, a long chain of command system is slow to respond. The response is only available when all the top decision makers get to an understanding of the decision to be made and then come up with an appropriate response. This slowness in responding to issues hinders the operations of organisation in the sense that various challenges and opportunities may not be tackled or exploited in the appropriate time. This is common to decisions that have to be made and affect branches. The branches therefore perform below their average. A challenge that is not addressed in time may cause harm to the organisation even though it could have been dealt with and get rid of in time would there be a decentralized authorization system.

Ernst & Young (2014), Philip and Isah (2012) and Acharya (2012) on a different view advocate that centralised authorization results in high quality decisions being made in short period of time. This is made possible by the elimination of middle and lower management in decision making. A decision that has to be made will be made in time since there is consultation of other levels of management. The authorities also point out that everything that has to be authorized goes
through hands of different people at different levels of management being scrutinized. This minimizes the chances of errors and mistakes being made since the people in such positions are known for making high quality decisions. If there is no room for errors or mistakes, it means that the operations of the organisation go on well. Organizational goals are achieved and financial performance is improved.

Impartially, Kanamori and Motohashi (2011), Campbell et al (2011) and Sibindi (2014) claim that long chain of command or otherwise does not affect how the business operates. An organisation is not affected by such structures.

The above authorities failed to stand on the same grounds on the matter of centralization affecting operations and hence there is need for this research to investigate the effectiveness of a long chain of command.

2.2.2 Non exploitation of opportunities and inability to adapt to changes

McFarlane (2011), Kuhn (2011) and Ezigbo (2012) say that business opportunities may come and go unexploited in a centralised system since the decision to exploit them takes time to be reached on. This means that there are small chances if any to exploit opportunities in a centralised authorization system if such opportunities do not need much time for the decision to exploit them to be made. These opportunities if exploited could have enhanced the financial performance of organisations. Therefore the longer the time an organisation takes to exploit opportunities the greater the chances of worsening that organisation’s financial performance.

Some decisions made on authorization for different transactions or events for branches may not be appropriate since the top management responsible for decision making concerning the authorization may not have adequate knowledge on the urgency or the need of the authorization
in question since they are positioned in strategic levels of management rather than operational. They may deem certain issues as unnecessary but being of necessity as required by the middle and lower managers. This inappropriate decision making hinders the operations of an organisation and thereby financial performance of such an organisation.

Changes in the market in terms of customer tastes and product prices are very sensitive to the success of an organisation. If there is a decrease in prices competitors respond quickly to the change. On the other side, an organisation with a centralised authorization system may take time to formulate a decision that relates such changes. This slothfulness in decision making gives competitors an advantage in the market and an organisation’s market share will be affected reducing the turnover of the organisation, in the same vein negatively affecting its financial performance. Likewise on changes of customer tastes and preferences, being slow to react to such changes affect the operations of the organisation.

Decentralization Thematic Team (2011), Andersson and Zbirenko (2014) and Ramezan (2011) indicate that centralised authorization results in safeguarding of an organisation’s assets and income. Management puts in place internal controls to safeguard the resources of an organisation and one of the tools of internal controls is authorization of transactions and other activities. This sanctioning through the long chain of command reduces the chances of loss of resources by an organisation. Therefore everything done is of best interest to the organisation and operations run smoothly thereby improving the financial performance of the organisation. It is also opined that centralization has more regulatory than decentralization and decentralization is known for the engagement of corruption in its operations. If authorization is decentralized then some decisions which are corrupt in nature and those which negatively affect the business may be made. This corruption hinders the financial performance of an organisation. On that cause, centralization is
credited for its non-involvement in corruption activities and the major reason being the issue of accountability and responsibility the top management has on the organisation as a whole.

To the mediocre, Sako and Sato (2013), Dekker (2011) and Marie (2012) advocate that the relationship between centralization being linked to exploitation of opportunities and adapting to change does not exist.

The above authorities failed to be of one accord in as much as centralization having an effect on financial performance due to exploitation of opportunities and adapting to changes. There is therefore the need for this research to gather more evidence on the subject matter.

2.3 ASSESSING THE EFFECTS OF CENTRALISATION ON STORAGE OF INVENTORY AND ITS MANAGEMENT

Central storage also known as central warehousing is a system whereby an organisation uses only a single warehouse for its branches or other departments. The decisions concerning the storage and management of inventory are done at the headquarters.

2.3.1 Increase in carriage costs and damage of inventory in stock and in transit

However Barthold and Hackman (2011), Haliday (2014) and Mohan (2012) have their view on the use of a centralised storage system of inventory and the management of that inventory. They believe that centralised storage is costly to the organisation in terms of transporting inventory to various branches. These costs can be expressed in monetary terms as well as non-monetary terms. Besides enjoying economies of scale on the delivery of inventory to a central point in bulk, the inventory is costly to be handled and transported to various branches. These costs reduce the profits of an organisation. As these carriages are done more often the transport costs to the organization increase and they reduce profits. In the same vein, carriage of inventory to
different branches may cause damages to the inventory which may lead to loss of value of the inventory if no complete damage occurs. This inventory has to be written off and this reduces profits of an organisation. The damage can cause stock outs if the goods damaged in transit were the only available goods at the organisation. Consequences of stock outs will be experienced. These include delays in performance of work and loss of potential output. The delays also tarnish the image of an organisation if there are complaints by customers. Another negative impact is when a fire or any natural disaster takes place. The entire inventory belonging to an organisation will be lost. All eggs will be in the same basket and the basket is damaged. This means that production will come to a halt for the whole organisation. This hinders operations especially if the inventory is not insured. Writing off such inventory usually brings losses that are accumulative because inventories levels held at central warehouses are usually high.

In contradiction, Melendiz (2013), Lausin (2015) and Pricewaterhouse Coopers (2011) put forward that the central storage of inventory and its management is beneficial to the organisations. While there might be a slight increase in distribution costs, the fact that all of an organisation’s products are in one central location will make carriage of products much more efficient as they will be transported to the same destination. When orders are made for the organisation as a whole and goods are to be transported, there are economies of scale on carriage costs since there will be a fixed charge for the freight. This means that central storage results in cost savings to an organisation when it purchases its goods. The

The authorities also argue that there are cost savings in the form of warehouse overheads such as rentals and utilities such as power. Building or leasing warehouses for different branches is costly and having only one warehouse saves costs. The cost savings to the organisations are of importance as they maximize profits. Labour costs in terms of warehouse staff are also avoided.
Costs are also served. A few staff will be employed in the warehousing department as they are only required at the headquarters. No branch needs to incur labour costs in terms of warehousing since there is no warehousing function which leads to better profits with the reduction in total expenses. These savings can be put towards other ventures.

Trebilcock (2013), Konamori and Motohashi (2011) and Neal (2013) believe that there is no effect of a centralised or decentralized storage system being used by an organisation on inventory storage as well as its management.

The above authorities failed to have a mutual ground as to whether centralised storage causes an increase in costs of an organisation pertaining to inventory storage as well its management. Therefore this research intends to investigate whether centralised storage and management of inventory increases costs as well as damage of inventory in stock as well as that in transit.

2.3.2 Stock outs and delays of performance of work

Haliday (2015), Weaver (2011) and Busch (2014) claim that storage of inventory at a central warehouse and the management thereof is very challenging since branch consumption of inventory may be fluctuating. Managing inventory for a remote station needs much attention and follow up. Reorder levels and reorder quantities are a challenge to ascertain. If a branch needs a certain type of material that is not available at the central stores it means that the branch will experience stock outs. The orders for a branch have to be aggregated with other branches so that a purchase for the whole organisation can be done. These stock outs have their own negative effects to the branch as well as to the organisation as a whole which include loss of potential revenue. Expiry and obsolescence of inventory is one feature of central storage. Inventory is purchased in bulk with the view of enjoying economies through discounts. However, some of the
inventory may expire before they are put into use. This is a loss to the organisation. At times, some of the inventory gets out dated and cannot be used in the organisation. This is also a loss which has to be written off. The writing off of expired inventory and obsolete inventory is a negative impact to the organisation.

Due to the inventory being stored at a central place there are delays of performance of work as the inventory may be delayed in reaching the branches. Branches order inventory from the central warehouse and since the central warehouse serves all the branches, delays in serving branches occur meaning that such branches will have their work performance delayed due to the absence of inventory. Delays may be caused by hindrances during the transportation of inventory. These delays lead to decrease in revenue as few jobs are completed to earn revenue. They also lead to an increase in costs if overtime pay has to be paid to the workers who would have completed the jobs if there is need to.

Lausin (2015), Melendez (2013) and Empoli (2013) insist that a better control of inventory is possible since only one report of inventory movement is produced. This results in fewer chances of stock outs. The report is easy to comprehend since it only relates to one big function. Orders can be made in time and reorder levels and lead time are easily stated and can be followed with ease. The authors believe that no stock outs can be experienced using a centralised storage system. The effects of stock outs are thus avoided if not eliminated. Receipt and inspection of goods can be organized efficiently since they are done at the same point of delivery. This minimizes the chances of acceptance of defect goods and hence costs of return are avoided. Poor quality products or services are also eliminated as these chances of accepting defect goods are minimized. When defect goods are accepted, there will be customer dissatisfaction since products or services produced from such services will be of poor quality. This affects the image
of an organisation. The use of centralised storage also bears security benefits. When inventory is stored at a single place where security is tightened, it is guaranteed that there will be no pilferages and theft. Putting security measures to all branches is costly and thereby having them at the central warehouse is cost saving. The security at the central warehouse is easy to maintain as all efforts are centered at that central warehouse. This reduces if not eliminates theft and pilferage meaning that the organisation’s assets are safeguarded.

Trebilcock (2013), Konamori and Motohashi (2011) and Neal (2013) argue that there is no relationship between central storage of inventory and its management in as far as stock outs are concerned and delaying of work caused by such a centralised system.

The above authorities failed to reach a consensus as to whether centralised storage of inventory causes stock outs and delays performance of work in an organisation. Therefore this research intends to investigate whether centralised storage and management of inventory causes stock out and delays performance of work.

2.4 ASSESSING THE EFFECTS OF CENTRALISED DISTRIBUTION OF INVENTORY FOR HEADQUARTERS AND BRANCHES ON OPERATIONS

A centralised distribution strategy represents organizing delivery of product from suppliers to a central location, usually in full load quantities, rather than to each store (Zivotic and Radovanovic, 2013). This system uses one central warehouse for all branches in different geographical locations.

2.4.1 Increase in carriage costs and damage of inventory in transit

Wang (2013), Jonsson and Mattsson (2013) and Williams et al (2014) articulate that centralized distribution leads to an increase in costs to an organisation in the form of carriage costs. The cost
of continually transporting material to branches from a central distribution centre is far greater than maintaining a stock of products at a local branch. A centralised distribution strategy is costly to an organisation because there is need to transport inventory as per requests. These costs increase as the number of requisitions increase. Therefore, a centralised distribution strategy is rendered to be of negative effect to an organisation. Another negative impact is placed on theft and pilferage at the central warehouse stressing that there are high chances of theft when a central distribution is used. Frequent transits of inventory pave way to theft as goods are loaded and offloaded into the transport vehicles. Goods in transit are also vulnerable to theft whilst on their way to different localities. As such mishaps occur the operations on an organisation are hindered.

On a different note, Rohsto and Liu (2011), Zivotic and Radovanovic (2013) and Lausin (2015) advocate that a centralized distribution strategy is ideal for an organisation. They state that it reduces costs that are related to inventory distribution incurred by an organisation because of economies of scale. The reduction in costs is as a result of the reduction of cost drivers (number of orders, executors etc.) as well as by the fact that the larger quantity of goods transported to and from the warehouse induces the reduction of transportation costs. That is optimal for large-volume and fast turnover products. On the acquisition of inventory from suppliers, an organisation pays for truck loads to the central distribution warehouse, which are few because of bulk carriage. This is preferable to decentralized distribution where truckloads have to be paid for each destination. Such a strategy results in cost savings and these savings can be channeled to other ventures which benefit the organisation. Costs are also saved by the use of one warehouse. There is no need to commit resources in securing other warehouses for different branches. Warehouse personnel costs are also avoided. With the use of a centralised distribution, fewer
vehicles are used since they carry inventory in large volumes to central warehouse. This also, besides cost savings in truckloads, the other vehicles can be used on other errands of the organisation for its benefit. The use of fewer vehicles results in a decrease in vehicle turnover. The life span of vehicles is longer that it would be if there is a decentralized strategy. This assures the business’ continuity in terms of transport resources. A centralized distribution strategy ensures security towards inventory. It emphasizes on safeguarding of an organisation’s resources. Inventory is released to branches as and when required with justification or requisition documents. These documents are authorized before inventory is dispatched. The top management authorizes such a dispatch. This shows that the organization’s resources are not misused or abused and neither are they lost.

McCurry (2011), Poole (2011) and Trebilcock (2013) agree that there is no link between centralised distribution and increase in costs as well as inventory damage.

The above authorities could not reach a mutual ground on whether a centralised distribution system increases costs of an organisation and also having an impact on the inventory in transit to other branches. This research therefore intends to investigate whether a centralised distribution system has a bearing on costs to an organisation and inventory damage.

2.4.2 Stock outs and delays in performance of work.

Barthold and Hackman (2011), Schreibfeder (2012), and Ramaa et al (2012) point out that centralised distribution negatively affects operations for both the headquarters and branches. They give preference to a decentralized distribution strategy to a centralized distribution strategy blaming the centralised strategy of leading to stock outs at branches. When branches request for inventory to be supplied, there are high chances of occurrence of delays. These are as a result of
demand by other branches which the central distribution centre may not be able to cater for. These delays lead to delays in completion of work. The consequent of these delays being customer complaints which result in the tarnishing of the organisation’s image. As an organisation bears a bad reputation, its market share decreases and this affects the overall performance of the organisation.

On a different view Rohsto and Liu (2011), Zivotic and Radovanovic (2013) and Lausin (2015) state that there is saving in time for receiving products in total when there is a centralised distribution system, that is, one reception as compared to multiple receptions under decentralized distribution. A more effective and efficient inspection can be carried on the inventory received. This minimizes costs of return of defects. If there are defects, they are easily detected and their return would be cheaper since they are returned from one point of collection. This is also time saving since defects are detected in time rather than on a decentralized system whereby the inventory has to reach its branch and then if there are defects, they have to be returned which takes longer. This saving in time reduces stock outs and the detriments of running out of stock since goods are returned in time with expectations of receiving the right goods timeously.

McCurry (2011), Poole (2011) and Trebilcock (2013) agree that there is no link between centralised distribution and stock outs as well as delays in performance of work.

The above authorities could not reach a mutual ground on whether a centralised distribution system causes stock outs in an organisation and also delays in the performance of work. This research therefore intends to investigate whether a centralised distribution system has a bearing on stock outs and delays in performance of work in an organisation.
2.5 EVALUATING THE EFFECTS OF A CENTRALISED PAYMENT PROCESS IN MEETING BRANCHES’ AND HEADQUARTERS NEEDS

A centralised payment process is a process whereby all decisions concerning the preparation and processing are done at the headquarters of an organisation (Jordan, 2012). This means that in as far as payments other than petty cash payments are concerned they are all processed at the headquarters. This process has both positive and negative impacts on the operations on an organisation at headquarters level as well as branch level.

2.5.1 Loss of supplier confidence and service cut offs

Martinez-Vazquez (2011), Bertelsen (2015) and Driver (2014) argue that a centralised payment processing system negatively affects the operations of an organisation especially the branches. The payment process is long. Invoices and attaching documents have to be sent to the headquarters for payment. The sending of such documents is an expense which reduces profits. When these documents are received and processed, it would be long and the suppliers may complain. Suppliers end up rendering the organisation credit unworthy because of that delay. Such delays also lead to loss of supplier confidence. Suppliers end up being reluctant to supply goods and services to an organisation. There will be delays and these result in stock outs as well delays in work performance or completion. Stock outs have very strong negative impacts in the form loss of potential output, customer complaints resulting in the damage of the organisation’s reputation. These in overall lead to a shrinkage in the market share the organisation serves and hence worsening its financial performance. Besides stock outs, some utilities are cut off if there are late payments. These include telephone and electricity which are very important in the operations of an entity. Such cut off have the same effects on the financial performance on an entity as delays in work performance are experienced.
On a different point of view, Philip and Isah (2012), Barlow (2011) and Jordan (2012) support the use of a centralised payment process. They point out that such a system guarantees the settlement of obligations relating to the organisation as whole. Sometimes, a branch may not have adequate resources to settle its obligations but with the use of a centralised payment process such a branch’s obligations are settled. An organisation’s pool of funds guarantees that. The branch’s operation will therefore continue without any hindrances unlike when it is supposed to settle its obligations alone as the later results in supplier relationship being damaged. A supplier customer should be intact always because such suppliers are the ones that make you stay in business.

The authorities also argue that such a system creates confidence in suppliers attracting them to supply goods and services to the organisation. Suppliers need a proof of a bank statement which guarantees them that an organisation is able to settle its obligations would it have supplied it with goods or services. As the organisation uses one bank account for its payments, this account is usually with a positive balance enabling it to settle its obligations. This confidence in suppliers makes the organisation creditworthy and hence supplied with its needs. The organisation is always in supply of whatever it needs for its operations and the operations therefore run unhindered.

Sako and Sato (2013), Dekker (2011) and Marie (2012) advocate that the relationship between centralization of payments processing being linked to loss of supplier confidence as well as service cut offs is not in existence.

The above authorities failed to reach a consensus as to whether centralised payments processing system has an impact in an organisation in the form of losing supplier confidence and cuts in
services. Therefore this research intends to investigate whether centralised payment processing has a bearing on the loss of supplier confidence service cut offs.

### 2.6 SUMMARY

This chapter explored the arguments, views, thoughts and comments from various literatures on the effectiveness of centralization on the financial performance of an entity. The section outlined how financial performance is affected with centralization in procurement, authorization, warehousing, distribution and payment processing and the effects on the headquarters, branches and the organisation at large.
CHAPTER 3: RESEARCH METHODOLOGY

3.0 INTRODUCTION
The chapter outlines the methods which were used by the researcher to gather data from the research subjects. It shows the adopted research design, methods and the analysis of the methods. Details are also given on the administration of questionnaire and how the interviews are implemented. The benefits relating to the use of such methods are also disclosed. The sample size used and the respondents thereof are also revealed alongside data collection instruments and the validity of data.

3.1 RESEARCH METHOD
Research methods those methods/techniques that are used for conduction of research. These are methods the researchers use in performing research operations (Bhattacherjee, 2012). Research methods are any techniques or methods that a researcher employs in conducting a research. There are three research approaches that can be used in conducting a research which are qualitative, quantitative and mixed methods (Yu et al, 2014)

For this research, the researcher found it important to use qualitative approach in conducting his research. This is because the approach can be used in a broad range of disciplines and fields (Taylor et al, 2015). It is also inductive as the researcher develops concepts, insights, and understanding from patterns in the data rather than collecting to assess preconceived models, hypothesis, or theories. It is also useful for studying a limited number of cases in depth as each subject provides individual case information. Qualitative approaches are especially responsive to local situations, conditions, and stakeholders’ needs.
3.1.1 RESEARCH DESIGN

Creswell (2012) defines a research design as a plan which exhibits the way data gathering shall be done, when it is gathered and where it is gathered. It is a roadmap for doing a research with ultimate control of various factors. These kinds of factors are those that may influence the validity of findings. A research design is determination of the overall ways to deal with a research problem (Kumar, 2010). A research design strategically combines related parts of the study which are the methods of the research as well as the procedures for the collection and analysis of the information needed so that the research problem can be addressed effectively.

3.1.1.1 DESCRIPTIVE RESEARCH

This is a design that searches the availability or the presence of a particular phenomenon and summarizes the characteristics of that phenomenon (Woodside, 2010). The main characteristic of this method is that the researcher has no control over the variables; he can only report what has happened or what is happening. The use of such method also include attempts by researchers to discover causes even when they cannot control the variables. The methods of research utilized in descriptive research are survey methods of all kinds, including comparative and correlational methods. Kumar (2010) and Bloomberg (2011) advocate that descriptive research is a technique which observes and describes how a subject behaves without any manipulation. Sridar et al (2012) state that this kind of a research method is the one which comprises of two variables which correlate. A descriptive research method is used to describe what exists in respect to conditions found in a given circumstances. Descriptive research includes the use of questionnaires. The participants or respondents will be asked to give answers to the questions asked. The respondents provide information on the effectiveness of centralization on the financial performance of Cimas Medical Laboratories.
Descriptive research makes the research to be conducted in a manner which is flexible in the location or environment of study. The researcher directly goes and collects data from the employees and staff of the organisation of study who are subjects of the research process. One of the major benefits of carrying out research in a descriptive manner is that it makes it easier to gather the exact facts which describe the state of affairs at the time of the investigation. The information gathered in such a research is useful to the researcher and gets more understanding of the problem.

There are three main types of research methods that can be used in carrying out a research (Saunders et al, 2009). These methods are observational method, case study and survey. The researcher used the descriptive case study method of research where there is the use questionnaires and conducting of interviews in addressing the questions of the research.

3.1.1.2 CASE STUDY

This is a broad research of a certain subject at a particular time and location (Gilmbert, 2013). This research was conducted at Cimas Medical Laboratories. Yin (2012) puts forward that when a case study is adopted, the research focuses only on the case or subject in research not the exploring of the common overview of that subject. The aim of a case study is to inspect individuals, proceedings, assessments, policies, institutions and other structures or institutions that are essentially studied by one or more methods. This enhanced a methodological approach of observing proceedings, data collection, and analysis of data and the reporting of the results (Kumar 2010).

The case study helped the researcher to comprehend the effectiveness of centralisation on the financial performance of an organisation at the same time. With the use of a case study resources
are saved, both monetary and non-monetary resources. The cost effectiveness resulted because of the use of one organisation rather than the investigation of the whole industry. It also resulted as areas which may diverge from the key research objectives were not considered. The approach adopted made it possible for the research to be actualized and pave way for improvement prospects. On the other hand, the use of a single case limits the broadness of the study. This is because the industry is comprised of many participants and what may hold true in one organisation may report otherwise in another organisation. Better results would have been attained if a larger sample was used to gather more information. However financial constrains could not make it possible.

3.2 DATA SOURCES
The researcher used primary data for the study. The use of primary data was of importance to the researcher because primary sources allow comparability (Smith, 2010).

3.2.1 PRIMARY DATA
Jackson (2011) primary sources involve the questioning of individuals and justifications or descriptions of event related outcomes. The primary data approach helped the researcher through standard conversations with the staff at Cimas Medical Laboratories headquarters. The subjects involved furnished information about the effects of centralization on the operations as they affect the organisation’s performance. The researcher adopted primary data approach because it is straight from the workforce on the ground and the information provided is accurate (Jennifer, 2014). Gathering the data face to face does not limit the researcher through data loss, and as a result data can be analyzed to factor out relevant information.
3.4 RESEARCH POPULATION

Kumar (2010) states that a research population is any group of persons, societal groups as well as events that can be split into an approachable population. A population compiles the considerable persons and/or objects under which a sample can be taken from. These individuals, groups and events have one or more characteristics in common that are of relevance to the research. It enhances the researcher to acquire a representative and mathematically valid examination of reality (Patten, 2012).

3.4.1 TARGETED POPULATION

Korb (2012) defines target population as an identifiable total group of individuals from which a conclusion must be drawn. The target population for the purposes of this research is the staff of Cimas Medical Laboratories headquarters. It is comprised of 48 employees in Accounting and Finance, Human Resources and Operations.

3.4.2 SAMPLE SIZE AND DESIGN

Esfahani (2014) defines sampling as the process of selecting a relatively small number of participants from a larger defined group of participants so that the information gathered will allow for conclusions to be drawn. Sampling is the procedure which a researcher uses to gather components together in a research. The researcher decided to involve 30 personnel from the organisation which is 62.5% of the total population. Aarker (2011) agrees to this use of a sample size as he advocates that the sample must be at least 30% of the total population under investigation so as to yield better results.
Table 3.1 SAMPLE COMPOSITION

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Population</th>
<th>Sample size</th>
<th>Sample Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting</td>
<td>15</td>
<td>15</td>
<td>31.2</td>
</tr>
<tr>
<td>Human Resources</td>
<td>3</td>
<td>2</td>
<td>4.2</td>
</tr>
<tr>
<td>Operations</td>
<td>30</td>
<td>13</td>
<td>27.1</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>30</td>
<td>62.5</td>
</tr>
</tbody>
</table>

3.4.2.1 SAMPLING TECHNIQUES

The researcher used non probability sampling

3.4.2.1.1 CONVENIENCE SAMPLING

Price (2013) states that convenience sampling is a non-probability selection technique where the sample is selected from among readily available respondents. The subjects to the research are selected according to their convenient accessibility and proximity to the researcher. This also serves time and resources. All subjects are invited to participate. The researcher used his knowledge in choosing the sample units. The researcher chose this technique because it is easy to understand and less biased as all subjects are invited to respond giving credit to the findings. Employees are selected on this base as some may not be available at the workstation when the study is being carried out and thereby the researcher engaged those available. (Gravetter and Forzano, 2015)

3.5 DATA COLLECTION TECHNIQUES/ INSTRUMENTS

Booth et al (2010) denote that research instruments are measurement apparatus used for assembling data. University of Wisconsin- Eau Claire (2012) identifies four main techniques of
collecting primary data. These include surveys using interviews and questionnaires, focus groups, experiments and observations. In this research surveys are adopted as the data collection techniques. Interviews and questionnaires are used.

3.5.1 QUESTIONNAIRES

A questionnaire is a list of research or survey questions asked to a respondent and are designed to extract specific information. It serves four basic purposes to collect the appropriate data, to make data comparable and amendable to analysis, to minimize bias in formulating and asking questions, and to make questions engaging and varied (businessdictionary.com- visited 19/04/2016). Questionnaires are divided into three groups which include open ended questionnaires, closed ended questionnaires and mixed questionnaires. An open ended questionnaire gives a respondent an opportunity to freely express him or herself as there are no limitations to a particular response format provided. On the other hand closed questionnaires are question which do not give the respondent freedom of self-expression as the responses are limited to the researcher’s choice of responses (Aaker, 2011). To gather primary data for the research questionnaires were employed to the personnel of Cimas Medical Laboratories as it is cheap, quick and efficient way of obtaining large amounts of information from a large sample of people as supported by McLeod (2014).

This research comprised of closed questions. The advantages of employing questionnaires in conducting a research is they their practicality is noticeable. Vast amounts of data can be gathered in a short period of time from a large population. This is done in a cost effective manner as advanced by Aaker (2011) The use of questionnaires can be conducted by the researcher or any individual independent to the reliability of the questionnaire and validity thereof (Sincero, 2012).
3.5.1.1 LIKERT SCALE

A likert scale is the sum of responses to statements that a respondent is asked to evaluate in a survey (Vanek, 2012). Aarker (2011) agrees that likert scaling is a technique used to measure the degree of agreement of disagreement of responded to different statements related to a subject in question. The scale is in two parts that is the item part (statement or question) and an evaluative part (response). The research questionnaires used in this research were formulated according to this technique. The scales in this research awarded points from 5 to 1 starting from strongly agree to strongly disagree. The reason why five has been employed is because it strikes a compromise between the conflicting goals of offering enough choice (since only two or three options means measuring only direction rather than also strength of opinion) and making things manageable for respondents (since few people will have a clear idea of the difference between, say, the eighth and ninth point on an eleven-point agree disagree scale) (Johns, 2010).

**TABLE 3.2 LIKERT SCALE**

<table>
<thead>
<tr>
<th>Strongly agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

*Source: Sauro, J (2015) “5 Things To Know About Likert Scale” (www.measuringu.com)*
3.5.2 PERSONAL INTERVIEWS

The Association for Qualitative Research (2013) defines an interview as a process of collecting data by asking people questions and following up or probing their answers. A personal interview is an interview which involves a two-way communication either face to face or over a protocol. Face to face interviews are important as they produce quality information and the as the interviewer controls the interview. Under this interview, non-verbal questions are captured and these questions indicate level of discomfort with the question as well as enthusiasm with the same. The interviewer also keeps the interviewee focused and in track till completion (Wyse, 2014). There are two types of face-to-face interviews which are individual and group interviews.

An interview of one interviewee is preferred to a group interview. Individual interviewing gives every respondent an opportunity to express him or herself without the influence of group psychology. They are employed in order to collect information relating to an individual’s understanding and knowledge, opinion and beliefs (Bloomberg, 2011). The researcher interviewed two managers at Cimas Medical Laboratories.

3.6 DATA VALIDITY AND RELIABILITY

Reliability means how consistent or repeatable measurements are (Jackson, 2012). This is the quality of measurement indicating the degree to which the measure is consistent, that is repeated measurements would give the same result. (Jackson, et al., 2012) explain that validity refers to how fine a test or rating scale measures what it purports to measure and it also centres on the quality of the data collection process. Data validity and reliability is a technique that is employed to authenticate information from various sources eliminating any discrepancies in the study. The researcher checked the validity of data and accuracy of the information provided at the
organisation under study prior to its analysis to eliminate errors that could have occurred during the filling of questionnaires.

3.7 DATA PRESENTATION AND ANALYSIS

Myers et al (2010) point out that after the observation of data trends or graphical presentation should be done with the help of related computer packages for accuracy. In analyzing and presenting the data qualitative techniques were used. These were in the form of graphs, tables and pie charts with the aid of Microsoft Office programs. These make it easier to compare the respondents’ view in each aspect under investigation. The measures of central tendency such as mode and median are also used.

3.8 SUMMARY

This chapter covered the methods that were employed in conducting the research. It shows that a descriptive research design was used and the benefits accruing from its use being outlined. The section covered the various methods and procedures which the researcher used in the collection of data. It also shows the population under study as well as the sample that was taken through convenience sampling.
CHAPTER 4: DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

The chapter outlines the presentations and analysis of the findings of the research on the effectiveness of centralization on the financial performance of an organisation. It focuses on the responses and that were obtained from the questionnaires and interviews which were self-administered. The presentation will be in the form of charts, tables and graphical presentations.

4.1 RESPONSE RATE

Table 4.1 Response rate

<table>
<thead>
<tr>
<th></th>
<th>Questionnaires sent/ Scheduled interviews</th>
<th>Questionnaires returned/ Interviews conducted</th>
<th>Rate of response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Questionnaires</td>
<td>30</td>
<td>23</td>
<td>76.7%</td>
</tr>
<tr>
<td>Interviews (top management)</td>
<td>2</td>
<td>2</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Primary data

The table above shows the responsiveness of the subjects on the questionnaires distributed as well as the interviews conducted.

For the questionnaires and interviews conducted. 30 questionnaires were distributed and 23 were returned. This denotes a 70% response rate. On the other hand, 2 interviews were scheduled and the 2 of them were conducted giving a response rate of 100%. On overall position, 30 research
subjects were employed and 23 responded. The response rate of the pool is thus 76.7%. This rate validates the research as Poole (2014) advocates that a response of 70% is adequate to validate a research

4.2 DEMOGRAPHIC PROFILES

The table below shows the duration of the respondents employed by CML. It shows the length of service in the form of number of years and the number of respondents in each category.

Table 4.2 Duration of employment

<table>
<thead>
<tr>
<th>Number of years</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 1 year</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>1 – 5 years</td>
<td>8</td>
<td>35</td>
</tr>
<tr>
<td>5 years +</td>
<td>12</td>
<td>52</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Primary data

As shown above, the table exhibits the duration of employment of the respondents spent in the organisation under study. 3 research subjects were within the organisation for less than 1 year showing a 13% of the total respondents. 35% spent between 1 to 5 years in the organisation with the remaining 52% being of long service of 5 years and above at CML. More than half of the population (52%) spent more than 5 years at CML alongside the 35% of the subjects who spent between a year and 5 years at the at the same. This shows that these respondents have been engaged with the organisation for quite a long time and are deemed to be knowledgeable about
the effectiveness of centralization on the financial performance of the organisation they work in. Vannette (2015) advocates that the experience of the respondents is very vital in a research as it give the respondents more light on the subject under study pertaining to the organisation under investigation.

4.3 PRESENTATION AND ANALYSIS OF FINDINGS

4.3.1 Procurement is done quickly under centralization.

The question sought to investigate whether procurement is done quickly or not under centralization. This has an impact on branches as well as the headquarters. The table below shows the frequency on the findings relating to the procurement process.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>2</td>
<td>8.7%</td>
</tr>
<tr>
<td>Disagree</td>
<td>4</td>
<td>17.4%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>17</td>
<td>73.9%</td>
</tr>
</tbody>
</table>

Source: Primary data

As illustrated above, in table 4.3 none of the participants agreed that centralization results in expedition of procurement of goods and services as there is a frequency of 0. There were 2
respondents who were undecided. These were neutral and could not determine whether centralised procurement is quicker or not and this is 8.7% of the respondents. On the other hand, 4 respondents out of 23 disagreed that procurement is done quickly under centralization. These make up 17.4% of the respondents. In the same vein, 73.9% strongly disagreed that procurement is done quickly under centralization. These were 17 disagreed strongly meaning they were very certain. On overall 91.3% of the respondents argued that centralised procurement is not quick. This is in line with Baldi and Vannoni (2014) who argue that centralisation of the procurement process results in shortages or stock outs as well as delays in performance of work since the process will be prolonged.

4.3.2 Centralised procurement meets branch demands effectively.

This question meant to inquire on the effectiveness of centralised procurement in meeting branch needs. It emphasizes on the branch needs as they are affected mostly since they procure their goods and services through the headquarters. As shown below in the Table 4.2, 0% of the respondents agreed to the centralization of procurement and its effectiveness in meeting branch demands and neither was there any neutral respondent. 9 respondents out of 23 which is 39.1% of the respondents were of the opinion that centralised procurement is not effective in meeting branch demands. In agreement, the remaining 14 respondents also stated otherwise. This 60.9% strongly disagreed that centralised procurement meets branch demands effectively. On overall, all the respondents (100%) advocate that centralised procurement is ineffective in meeting branch demands. Accounting-Management (2012) articulates that a centralised procurement system results in stock outs and delays in work. When a branch needs a replenishing of materials and has to go through a centralised procurement system there will be an experience of stock outs. The same applies for services demanded by the branch.
Table 4.4  Centralised procurement meets branch demands effectively.

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>9</td>
<td>39.13%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>14</td>
<td>60.87%</td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.3 Centralization results in quick decision making

The question required the respondents to give their views on how decision making processing is done in as much as its timeliness is concerned. This was to investigate whether centralization is quick for decision making. As shown by Table 4.3 below, 5 respondents out of 23, that is 21.7%, agreed that centralization is quick in decision making. None of the respondent strongly agreed to that. On the distribution also, 3 out of 23 (13%) respondents were neutral. These were not sure whether decisions made under centralization are quick or not. On a different view, 7 respondents out of 23 (30.4%) disagreed that centralization results in quick decision making with other 8 of the 23 (34.8%) strongly disagreeing. In aggregate, the mode being 15 respondents reflect the highest number of responses towards the same direction of disagreeing that centralization results in quick decision making. This is in line with Rishipal (2014), Kuhn (2011) and Ezigbo (2012)
who point out that centralization of authorization is a detriment to operations of an organisation and hence the financial performance as centralization results in slow decision making.

Table 4.5 Centralization results in quick decision making

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>5</td>
<td>21.7%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>30.4%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>8</td>
<td>34.8%</td>
</tr>
</tbody>
</table>

Source: Primary data

4.3.4.1 Centralization effects on the following performance indices- costs

The question needed the respondents’ knowledge on the effects of centralization in relation to costs. The graph below illustrates the findings.
Table 4.6 Centralization effects on the following performance indices - cost saving

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>10</td>
<td>43.5%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Disagree</td>
<td>10</td>
<td>43.5%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: Primary data

As shown above, the respondents were at par on both sides of the answer. None of the respondents strongly agreed nor strongly disagreed on the effects of centralization on costs. 10 respondents on each side agreed and disagreed, that is 43.5% agreed that centralization affects costs and the other 43.5% disagreed. This left the other 3 respondents of 13% being neutral. (Weaver, 2011), (Empoli, 2013) and (Albano, 2014) advocate centralization increases costs in the form distribution costs of inventory and bulk warehousing. Kotler et al (2015), Trybus (2014) and Stone (2013) have a different view stating that centralization is cost saving as no costs are incurred in the administration and management of storage systems in the form of employment costs and rents payable to storage facilities. This therefore shows that centralization can have positive or negative effects on costs.
4.3.4.2 Centralization effects on the following performance indices - market exploitation

The question intended to seek information on how centralization is of effect to market exploitation and the table below illustrates the distribution of the findings.

Table 4.7 Centralization effects on the following performance indices - market exploitation

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>17.4%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>7</td>
<td>30.4%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>12</td>
<td>52.2%</td>
</tr>
</tbody>
</table>

Source: Primary data

The distribution of the findings shows that none of the respondents strongly agreed on the effectiveness of centralization on market exploitation denoting a 0% outcome. The same applies on neutrality there was none on neutral with 0%. However, 4 respondents agreed that centralization is effective on market exploitation being shown by a 17.4% pyramid on the graph. To the contrary, 7 respondents disagreed that centralization is effective on market exploitation with a 30.4 percentage point. Going towards the same direction 12 respondents out of the 23 with a 52.2 percentage point strongly disagreed. On aggregate 19 respondents disagreed that centralization is effective on market exploitation. This represents a mode of 82.6% in disagreement. This is supported by McFarlane (2011), Kuhn (2011) and Ezigbo (2012) Business
opportunities may come and go unexploited in a centralised system since the decision to exploit them takes time to be reached on.

4.3.5. Inventory management is effective when centralised

This part of the questionnaire inquired on the management of inventory whether it is better managed centrally or not. The table below shows the findings of the responses.

Table 4.8. Inventory management is effective when centralised

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>3</td>
<td>13%</td>
</tr>
<tr>
<td>Agree</td>
<td>2</td>
<td>8.7%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>12</td>
<td>52.17%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>6</td>
<td>26.09%</td>
</tr>
</tbody>
</table>

Source: Primary data

The chart shows the distribution of the data. 3 out of 23 respondents (13%) strongly agreed that inventory is better managed when it is centralised. Another 2 respondents agreed that indeed centralised inventory management is effective standing on 8.7%. None of the respondents were neutral as they all had a side to take. On the other hand, 12 of the 23 respondents (52.17%) disagreed that centralization of inventory management is effective. They were supported by other 6 respondents who strongly disagreed with 26.09%. In aggregate, 18 respondents (78.26%) were disagreeing with the question. This mode of 18 respondents shows that centralised inventory
management is not effective in an organisation which affects its financial performance. In literature Haliday (2015), Weaver (2011) and Busch (2014) claim that storage of inventory at a central warehouse and the management thereof is very challenging since branch consumption of inventory may be fluctuating. Managing inventory for a remote station needs much attention and follow up. Reorder levels and reorder quantities are a challenge to ascertain.

4.3.6. Centralised payment processing is effective for meeting headquarters and branch demands

This question was designed to gather data on what the respondents say relating to centralised payment processing with regards to meeting headquarters and branch demands. The table below shows the frequency of the responses gathered.

Table 4.9 Centralised payment processing is effective for meeting headquarters and branch demands

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly agree</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Agree</td>
<td>4</td>
<td>17.39%</td>
</tr>
<tr>
<td>Uncertain</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>Disagree</td>
<td>14</td>
<td>60.87%</td>
</tr>
<tr>
<td>Strongly disagree</td>
<td>5</td>
<td>21.74%</td>
</tr>
</tbody>
</table>

Source: Primary data
On the question of centralization of payments, none of the respondents strongly agreed to the system. 4 respondents out of the 23 (17.39%) agreed that centralization of payment processing is ideal. There were no respondents who were undecided resulting on 0% neutrality. 60.87% of the respondents disagreed to this notion with 14 respondents. 5 of the respondents (21.74%) strongly disagreed to the effectiveness of centralised payment system. Therefore the majority of the respondents disagreed to idealness of centralization of payment processing with a mode of 82.61% being of the same view. This goes with the view of Martinez-Vazquez (2011), Bertelsen (2015) and Driver (2014) who argue that a centralised payment processing system negatively affects the operations of an organisation especially the branches as delays in supplier payments and payments for utilities leave branches with no stock and utilities as well as other operational services if the supplier cuts of such a survive or is reluctant to supply.

4.4 INTERVIEWS

4.4.1 Centralised procurement results in stock outs, delays in performance of work and increase in carriage costs, what is your say on this?

This interview is linked to questionnaire number 1 (Procurement is done quickly under centralised procurement), questionnaire number 2 (Centralised procurement meets branch demands effectively), questionnaire 5 (Inventory storage, distribution and management are effective when centralised) and questionnaire 4 (Centralisation effects on the following indices-cost saving). These questions relate to the effects of centralization in terms stock outs, delays in performance of work as well as increase in costs to the organisation. Both respondents agreed that centralised procurement indeed led to stock outs. They said that these were as a result of challenges in the management of inventory since reorder levels of branches and headquarters differ. The consumption of inventory for each branch differs from the consumption of other
branches and over and above that, way much different from the headquarters. They also stated that these stock outs led to delays in performance of work since work can only be performed when the materials required for the carrying on of such work are available. The duo also said that the carriage costs indeed are part of the expenses incurred in the organisation. However, one respondent said that the carriage costs are far much less than the costs the organisation would incur if they are to centralize procurement. (Weaver, 2011), (Empoli, 2013) and (Albano, 2014) advocate centralization increases costs in the form distribution costs of inventory and bulk warehousing. Kotler et al (2015), Trybus (2014) and Stone (2013) have a different view stating that centralization is cost saving as no costs are incurred in the administration and management of storage systems in the form of employment costs and rents payable to storage facilities. This therefore shows that centralization can have positive or negative effects on costs.

4.4.2 How effective is centralised decision making with regards to operations and meeting branch needs?

The question is linked to questionnaire number 4 (centralization results in quick decision making) and 4 (Centralisation effects on the following indices- market exploitation). The question is addressing the effectiveness of centralised decision making on the performance of branches. One of the respondents argued that centralised decision making with regards to operations and meeting branch demands is effective since quality decisions are met. No chances will be taken on trials of decisions which may cost the organisation. This conforms to Acharya (2012) who has the view that centralised authorization results in high quality decisions being made in short period of time. The other respondent stated that sometimes the decision that have to be made for branches delay and hinder the effective operations of branches since they take to be made and this affects the organisation as a whole. Market opportunities cannot be exploitation
is not timeous and can be lost because of centralization. This is what was argued for by Kuhn (2011) and Ezigbo (2012) pointing out that centralization of decision making is a hindering factor if a quick decision has to be made without consulting the headquarters.

4.4.3 **How effective is centralization with regards to exploitation of opportunities and adapting to changes in the business environment?**

The question addressed the timeliness of the organisation in exploiting opportunities and adapting to changes in the business environment and is linked to questionnaire 4 (Centralisation effects on the following indices - market exploitation). Both respondents argued that centralization is not ideal for exploitation of opportunities and adapting to changes in the business environment. This is because a change is something that happens every day and the rate of change can so fast that the time needed to adapt to the change may not be require the top management to be consulted and make a decision. They also said that the way change affects them is the same way opportunities pass by unexploited. This was opined by McFarlane (2011), Kuhn (2011) who state that centralization is not effective in adapting to changes in the business environment as well as exploitation of opportunities since the market is a no man’s land. Everyone needs a share

4.4.4 **Is centralization of purchasing, warehousing and distribution of inventory ideal for both the headquarters and branches?**

The question’s intention was to investigate whether centralization of purchasing, warehousing and distribution of inventory is ideal for both the headquarters and branches in relation to their operations which directly affect financial performance. The question is linked to questionnaire number 2 (Centralised procurement meets branch demands effectively) and questionnaireumber 5 (Inventory storage, distribution and management are effective when centralised). The
respondents said that centralised purchasing is ideal for better financial performance of the organisation. This is as a result of negotiations for discounts when buying in bulk, less carriage costs or freight charges from the supplier especially from oversees suppliers and the savings in the commissions of clearing agents. This was supported by Trybus (2014) and Stone (2013) who articulate that centralised purchasing results in economies of scale as discounts can be negotiated and transport costs can be charged on one consignment to the headquarters.

However, they stated that warehousing and distribution work hand in glove and these are increasing their costs. This eliminates the costs of distribution. This is in agreement with (Albano, 2014) who stresses out that centralized warehousing and distribution are not suitable, if branches are located in different geographical locations arguing that costs of transport increase the expense base of the organisation.

4.4.5 Is centralised payment processing effective for meeting headquarters and branch demands at CML?

The question inquired on the idealness of centralised payment processing system on the operations of the headquarters and branches. These operations directly affect the financial performance of the organisation as a whole. This interview question is linked to questionnaire number 6 (centralised payment processing is effective for meeting headquarters and branch demands). The 2 interviewees were in agreement. They stated that centralised payment processing system is effective when dealing with suppliers who are part of the payment list of the organisation in every period. These include monthly expenses which are easy to manage. However, they argued some suppliers who do different jobs at different times may be a challenge as the payment process may be long. This affects the supplier confidence in the organisation. This concurs with Bertelsen (2015) and Driver (2014) who stipulate that delay in settling of
obligation deprives an entity of its input to perform work and this affects the financial performance of the entity.

4.5 SUMMARY

In this chapter, presentations of the findings were made, described and analyzed being based on the effectiveness of centralization on the financial performance of an organisation. It was found out that centralization has more of negative effects than positive effects as shown by the responses from the study.
CHAPTER 5: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter is a summary of findings of the study and the conclusions thereof. It reveals the summaries of each chapter, that is, what each chapter contains or explains. Major research finding are also disclosed in this chapter and the recommendations that were made as a result of the research findings.

5.1 SUMMARY OF CHAPTERS

5.1.1 CHAPTER 1

The chapter introduces the research topic being “The effectiveness of centralisation on the financial performance of an organisation”. The organisation under study was Cimas Medical Laboratories. The chapter also highlighted the research problem to be investigated, the background of the study, the statement of the problem, the purpose of study and the objectives that guided the research. The objectives of the study the effects of centralised procurement, long chain of command on decision making, the effects of centralised storage, distribution and management of inventory. The effects of centralised payment process were also investigated.

5.1.2 CHAPTER 2

The second chapter covered a review of the relevant literature on the research topic. This is what other authors provided which is related to the current study. The chapter reviewed the effects of centralization such as increase in costs to the organisation (Weaver, 2011) and increase in the organisation’s product’s price and loss of competitive advantage as stated by Busch (2014). Stock outs were also highlighted as well as delays in performance of work (Baldi and Vannoni, 2014). Ozmen (2014) also reveals the effect of centralization as the expiry of inventory and
opportunity cost of tying up of cash in inventory in bulk buying. Effects of a long chain of control were also discussed. These were slow decision making and non-exploitation of opportunities which goes hand in hand with the inability to adapt to changes in the business environment. Effects of centralization of inventory storage and the management of inventory were also discussed in literature. On the same note, the effects of centralised distribution of inventory were part of the literature of the study. These effects include carriage costs and damage of inventory in transit (Wang et al. 2013). The literature on the effects of a centralised payment processing system in meeting branches’ needs was also covered.

5.1.3 CHAPTER 3

The chapter covered the various methods and procedures which the researcher used in the collection of data. It outlines that descriptive research design was employed and the benefits accruing from its employment. The section also shows the population under study. It also highlights that convenience sampling was used and the justification is detailed in the chapter. The data collection techniques that the researcher used are also discussed in this chapter. These are questionnaires and interviews. The reasons for using these tools are also presented in this chapter. The use of a likert scale is also justified in the chapter together with the reasons for using a 5 pointer likert scale. Data validity and reliability are mentioned in this third chapter of the research.

5.1.4 CHAPTER 4

The fourth chapter of the study dwells on the presentation and analysis of the finding of the research. It was noted from the questionnaires and interviews that centralization affects the financial performance of an entity negatively. Stock outs are experienced, performance of work is delayed and there is slow decision making. Adapting to changes in the business environment is
also noted as difficult under centralization. This also applies on the exploitation of opportunities as it is posing to be a challenge to exploit the opportunities that come by with the use of centralization. Costs also increase by the use of a centralised system.

5.2 MAJOR RESEARCH FINDING

1. It was discovered that centralised procurement leads in increase in costs when the inventory is transported to different branches. With such increase in costs, prices also increase which leads to a loss of competitive advantage by an organisation. Stock outs are also experienced since the purchasing process is long. Services that are required by branches also take time to be acquired and these result in delays of work and loss of potential revenue. Inventory also expires when procurement is centrally done since bulk purchases are made with the view of getting discounts.

2. A long chain of command has negative effects on the financial performance of an organisation. Decisions take much time to be made and this is a disadvantage to branches especially because their (branch) needs are not met in time. It also results in non-exploitation of opportunities in the market as well as inability to adapt or cope with changes in the market. The financial performance of an entity is based on how it is able to adapt to changes in the business environment as well as exploiting any opportunities the business faces. This is not so to the organisation under study.

3. Centralization of storage leads to incurrence of carriage costs to branches. These increase expenses and simultaneously reducing profit and hence hindering the financial performance of an organisation. Stock outs and delays of works are also experience when the inventory is centrally managed. Branch consumption rates are difficult to ascertain and hence the reorder levels. With
these challenges, stock outs are common and these stock outs lead to delay in performance of work.

4. Centralised distribution has an effect on the costs incurred by an organisation. These are distribution costs incurred as inventory is supplied to branches. These costs reduce profits and hence financial performance. Delays in the distribution also lead to stock outs delays in performance of works.

5. A centralised payment processing is of importance in safeguarding the assets of an organisation is a much as cash is concerned. No many signatories will be required to authorize payments and this reduces chances of fraud. However, the delays caused by such a centralised system results in suppliers being reluctant to supply goods and services to the organisation which hinders the operations of the organisation.

The research carried was successful. It managed to address all the objectives that were under the study. The authors on the literature write different thoughts concerning effectiveness of centralization. They state that centralization results in inefficiency. Not all resources that are employed will be actually employed and this is a negative on the organisation. Such underutilization of resources results in an organisation being unable to perform better. The basis of centralization is to ensure that control remains in the hands of the few and these control all activities of the organisation.

5.4 RECOMMENDATIONS

CML should decentralize its procurement on items which do not involve many costs such as bulky materials which are costly to transport to branches. Services such as repairs should also be centralised. Some materials which are imported should remain centralised as discounts
receivable may accrue to the organisation in bulk purchasing. Freight charges for imports are also minimized when central procurement is used.

CML should also decentralize its authorization of events and transactions such that decision can be made branch levels to quicken decision making and exploit opportunities. This also helps in adapting to change. An organisation can be a victim of change if it does not act timely.

Inventory has to be stored in the various branches which it is used so that no carriage costs relating to the inventory can be incurred. However, some inventory which may be risk because of high values or special storage conditions can be stored at the central warehouse.

Inventory management reports from each branch make it easier for inventory reorder levels to be ascertained easily and avoid stock outs as result of complex central inventory management.

When inventory is purchased, it has to be transported once and for all to all the branches to avoid incurrence of frequent carriage costs. Damages are also avoided as well as perishing o inventory.

Some payments of a given figure should be allowed to transacted at branch levels to maintain a good relationship with the suppliers.

5.5 CHAPTER SUMMARY

The chapter outlined the summary of all the chapters in the research, the research findings as well as the recommendation to the company under study.
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ONLINE SOURCES


TO WHOM IT MAY CONCERN

I am a fourth year student currently studying a Bachelor of Commerce Accounting Degree. In partial fulfillment of this program students are required to carry out a research of their choice. My research topic is AN INVESTIGATION ON THE EFFECTIVENESS OF CENTRALISATION ON THE FINANCIAL PERFORMANCE OF AN ORGANISATION. I am seeking approval to carry out the research on your organisation. In addition assistance will be required of any information related to my topic and all the information will be treated with confidentiality and only used for academic purposes.

Thank you for your co-operation

You can fill your details below if you approve

Company name………………………………………………………………………………..

Permitted by………………………………………………………………………………..

Position held………………………………………………………………………………..

Signature………………………………………………………………………………………

Yours faithfully.

Mazanhi Joel
APPENDIX B
QUESTIONNAIRES

Instructions on filling the questionnaires

Please tick the applicable response for open ended questions.

Section A - profile of participant

1. Department of operation

Accounting □ Operations □ Other □

Other (specify)........................................................................................................................................

2. How long have you been employed by Cimas Medical Laboratories?

Below 1 □ 1 to 5 years □ Above 5 years □

Section B - Questions on the idea of centralisation of authority at the headquarters

1. Procurement is done quickly under centralization.

Strongly agree □ agree □ uncertain □ disagree □ strongly disagree □

2. Centralised procurement meets branch demands effectively.

Strongly agree □ agree □ uncertain □ disagree □ strongly disagree □
3. Centralisation results in quick decision making

Strongly agree □ agree □ uncertain □ disagree □ strongly disagree □

4. Centralisation effects on the following performance indices

<table>
<thead>
<tr>
<th>Index</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Neutral/Uncertain</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost saving</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market exploitation</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

5. Inventory storage, distribution and management is effective when centralised

Strongly agree □ agree □ uncertain □ disagree □ strongly disagree □

6. Centralised payment processing is effective for meeting headquarters and branch demands

Strongly agree □ agree □ uncertain □ disagree □ strongly disagree □

THANK YOU
APPENDIX C

INTERVIEW GUIDES

1. Centralised procurement results in stock outs at branches, delays in performance of work and increase in carriage costs, what is your say on this?

2. How effective is centralised decision making with regards to operations and meeting branch needs?

3. How effective is centralization with regards to exploitation of opportunities and adapting to changes in the business environment?

4. Is centralization of purchasing, warehousing and distribution of inventory ideal for both the headquarters and branches?

5. Is centralised payment processing effective for meeting headquarters and branch demands at CML?