Impact of Dimensions of Centralization Procurement System on Financial Performance with Special Reference to Health Care Industry in Sri Lanka

H Anuradha and UG Rajapaksha

1 Faculty of Graduate Studies, General Sir John Kotelawala Defence University, Sri Lanka
2 Department of Management and Finance, General Sir John Kotelawala Defence University, Sri Lanka
* anuradhan@outlook.com

Capacity of the private health care sector institutions is ranging from highly sophisticated multi-specialized hospitals to small-scale medical centres. Private sector always focuses on obtaining optimum value from their investments, and the health care sector also spends more than 40 percent of the income to purchase goods and services. Centralized procurement approach, which is used by world-wide organizations to purchase goods and services, is meant to obtain maximum benefit from efficient supply chain activities, and this approach highly focusses on individual processes as well as on overall operations. Further, centralizing brings greater control over various buying processes that a company is engaged in. This greater control allows for higher efficiency and visibility in the company’s process of obtaining resources. This paper examines the five main areas embodied within the centralizing procurement method, which are considered to facilitate the reinforcement of the financial performance in a company, i.e. Time Compression, Negotiation, Managing Quality, Activity Management and Relationship Management. ABC laboratory chain, one of the main laboratory chains in Sri Lanka which implements centralizing procurement activities, was selected for the current study, and nineteen employees were used as the sample. Their ideas regarding the variables were collected by using the interview method, and the thematic method was used to analyse the collected data. The findings of the study reveal the positive impact of centralization of procurement activities on the financial performance of the ABC laboratory chain. According to the results, Managing Quality, Relationship Management and Negotiation Management were found to have a significant impact on the financial performance of the laboratory.

Keywords: Time Compression, Managing Quality, Relationship Management, Negotiation, Financial Performance