KAMPALA INTERNATIONAL UNIVERSITY BUSINESS SCHOOL

THE EFFECT OF INVENTORY MANAGEMENT ON ORGANIZATIONAL PROFITABILITY

A CASE STUDY OF SUGAR CORPORATION OF UGANDA LIMITED (SCOUL)

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A RESEARCH REPORT SUBMITTED TO MAKERERE UNIVERSITY BUSINESS SCHOOL IN PARTIAL FULFILLMENT FOR THE AWARD OF A BACHELORS DEGREE IN PROCUREMENT AND SUPPLY CHAIN MANAGEMENT (BPSM) OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I declare that that this research study has not been carried out by anyone else and that it is my original work and has not been published or submitted for any other degree to any university or institution before.

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Date…………………………………………

APPROVAL

This is to certify that this research on the Effect of inventory management and organizational profitability was carried out under my supervision and is now submitted for examination for the award of bachelors Degree in Procurement and Supply Chain Management at Kampala International University Business School.

....08/05/11..................

MR.RUTEGANDA MICHEAL Date

(Supervisor)

DEDICATION

Special dedication goes to my parents, Mr. Kalenga Joseph and Mrrs.kalenga specioza for all their endless support throughout my course and research period which has led to my achievement today. Thank you very much for your effort towards my success.

ACKNOWLEDGEMENT

Many personalities have made very special contribution to my academic life as a whole and to this presentation in particular, I would like to acknowledge the following with love and gratitude.

To God above, I want to say thank you for the gift of life, love, care, patience and your everlasting blessing.

Mr. Rutangenda Michael my supervisor, who has guided me through moments with insight, sensitivity and good judgment in launching this entire research.

And all my friends; Mulo charles Iwanga and the Procurement Class at large.

May God bless and thank you all.

ABSTRACT

The research topic was the effect of inventory management and organizational profitability. The objectives of the study were to establish the inventory management techniques used in SCOUL and to find out the other factors that affect the organizational profitability; and the relationship between inventory management techniques and organizational profitability.

A cross sectional research design was used by the researcher; this was due to the time constraint. More so questionnaires were also used to collect primary data at SCOUL and secondary data from various sources like text books, journals, and internet that the researcher used to gather relevant information to write this research report.

Frequency tables were used in the interpretation of the data. The findings were presented in both qualitative and quantitative forms.

It was further discovered in the findings that the inventory management has an effect on the organizational profitability. It was noted that there, more other factors that affect [profitability like liquidity, taxation, management skills, and many others.

Recommendations were made where there was need for organizations to develop technological techniques in its information inflows to facilitate just in time techniques and also to address more factors that affect profitability other than inventory management like taxation and competition.

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THE EFFECT OF INVENTORY MANAGEMENT ON PROFITABILITY IN SCOUL

CHAPTER ONE

Introduction

This chapter presents the background of the study, statement of the problem, purpose of the study, research questions, research objectives, time scope, and significance of the study

1.1 Background of the study

Sugar corporation of Uganda limited (SCOUL) started was back in 1920s by the late Nnanja Kalindas Mehta. It was formally known as Uganda sugar factory. It started as a chain of ginneries and later developed into Uganda sugar factory. The Mehta group now has shares of 76% and government owns 24%. The corporation fully employees more than 6000 people and also according to company records, it purchases items worthy ten million a week.

The company faces a problem of poor inventory management that had led to reduced profits of the company. This has been mainly witnessed in the factory general stores, departmental stores, store yard, sugar go down and in offices.

In the general stores, there is poor location of the items, those that are received in the receiving bays, those to be inspected, those rejected and those that are just delivered. This has led to mixing of such item leading to high rates of theft, loss of items and others hence increased costs of stock outs, replacement ,loss of goodwill thus reduced company profits.

In the store yard, where they keep large and bulky items, there is rusting of materials registered, bulky oils get spoilt. This is mainly because the yard is not roofed therefore there is exposure to rains and sunshine. This has also been evident in the sugar go down where is packed right after manufacturing there is poor packaging, auditing. Therefore such inefficiencies hence increased costs like stock outs, replacements hence reduced profits.

The departmental shores and offices are located at the outlets of the factory. This has made them vulnerable to thieves and other issue. That and many other costs like costs of replacement, shock outs, loss of goodwill have always demanded the company to meet them as per the company records its that that has reduced the company profits.

1.2 Problem statement

Inventory management is a crucial part of the organization performance since it contributes directly to the level of profits through the procurement function as evidenced by sugar co-operation of Uganda limited. This organization engages in mass production of sugar and other products like industrial spirits, molasses but it has continued to earn basically average profits by virtue of proper inventory management. However, despite the efforts by the organization there has been a tremendous decline in the level of profits and returns on investment as per the company records.

1.3 Purpose of the study

The purpose of the study was to examine the effect of inventory management on the organizational profitability in SCOUL. The organization will also be able to best inventory techniques to apply in different stores. The study will also benefit the organization to examine the other factors that affect its profitability. As such it will also be able to relate the inventory management techniques and profitability in order to achieve its organizational goals.

1.4 The objective of the study

i. To establish inventory management techniques used in SCOUL.

ii. To examine the other factors that affects the profitability of SCOUL.

iii. To determine the relationship between inventory management techniques and the factors that affect profitability of SCOUL.

1.5 Research questions

i. What is the inventory management techniques used in SCOUL?

ii. What are the other factors that affect the profitability in SCOUL?

iii. What is the relationship between the inventory management techniques and the other factors that affects the profitability of SCOUL?

1.6 Scope of the study

The study will cover the effect of inventory management on the profitability in Uganda. It will also mainly focus on SCOUL located along Kampala-jinja highway in Lugazi town 2Kms away from the highway. The study covers data for five years that's from 2005-2010

1.7 Significance of the study

The following are the significance of the study.

i. The research will be able to benefit SCOUL to identify the relevant areas to improve on inventory management.

ii. The study will help SCOUL to identify the other areas that affect its level of profits.

iii. The study will also act as a foundation for other researchers who may make relevant references in such related areas.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the work of other scholars which will be gathered through the use of different methods loges that will help to come up with data about inventory management and profitability of SCOUL.

2.1 Definitions of key terms

2.1.1 Inventory management, refers to the techniques used to ensure that stocks of raw materials and other supplies, work in progress, consumable and finished goods are kept at levels which provide maximum service at minimum costs. Inventory management covers a variety of activities which may vary from firm to firm. It involves activities like demand management, forecasting future demands requirements, stock taking, stock checking and developing cost-effective systems and procedure. Efficient inventory management requires an inventory policy that will promote efficiency and effectiveness or safeguard assets Taylor, (1999).

2.1.2 Profitability

The amount of money an individual earns for work activity from employment or self-employment. Profitability is always assessed in conjunction with performance and productivity, www.hrsdc.gc.ca/eng/isp/cpp/ddjuframe/glossary.shtmil.profit is the end result of operation of organization.

According to Boggess (1999), profitability is defined as an income desired state where the returns are over and greater than input costs. Similarly Herm Arson (1998) describes portability as a firm's ability to earn income which is reflected only on income statement to certify the income generated which is greater than input costs.

Robert and Cooper (2007), indicates that leading firms are using their enhanced cost system to design product and services that meet both customer's expectations and can be sold at a profit and improved quality efficiency.

Profitability is the ability of a firm or an organization to earn returns on investment (Kakuru, 2001). According to Ssemakula, (2004), profitability is the quantitative measure of a business's success which is the excess of revenue over expenses

2.2 Techniques of inventory management

2.2.1 Just in time

According to stoner et al (2002), describes the just in time technique as one in which production quantities are ideally equally to the delivery quantities, with materials purchased and the goods produced, just in time to be used also known as Kaban. This reduces on the carrying costs, expenses of storing and moving inventory from storage to production unit

Jordan (1997) defines just in time as a system used to minimize inventory investment and is characterized by a move towards zero inventories and aimed at elimination of non value added activities on the emphases of perfect quality which calls from 100% on time delivery

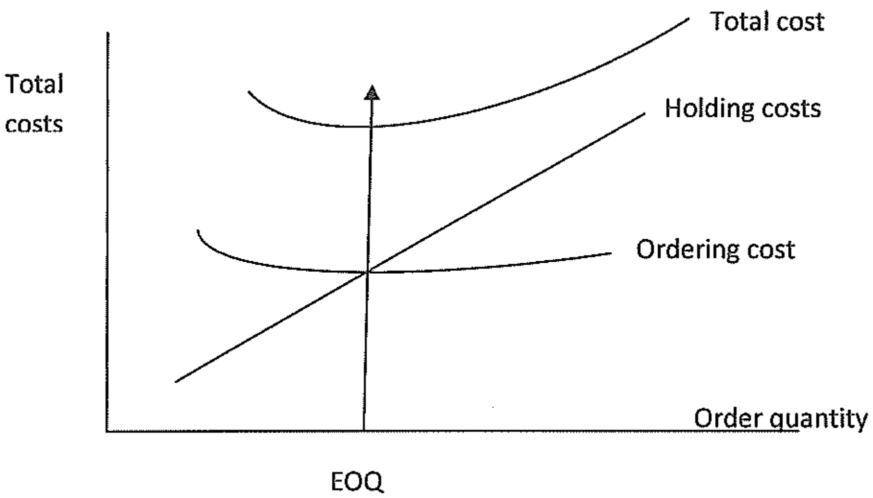
According to Lucey (1995), this is technique that requires items that should be bought or delivered only when they are needed. It is a Japanese technique or approach and its aim is to reduce investment in inventory.

However, for this technique to work appropriately, both flow of information and delivering systems should be done at the exact time they are required by buyers (pandey, 1998 and macharia, 2004)

2.2.2 The economic order quantify model (EOQ)

Economic order quantity is the optimal ordering quantity of an item of stock that minimizes costs while maximizing the benefits of holding inventory. At this point total holding cost is equal to total ordering cost, total costs is at minimum

Below is the graphical illustration of the EOQ model



Source, Kakuru (2000)

Below are the underlying assumptions of EOQ

That demand is uniform that's certain, constant and continuous overtime.

The lead-time is constant and certain.

Meir (1999) indicates that it is important to determine the optimum level of inventory that will minimize costs. The optimum quantity is what he called the "economic order quantity". This is not always effective with most organizations hence the expected profitability is not attained

2.2.3 Material requirements planning (MRP)

It is a product-oriented computerized technique aimed at minimizing inventory and maintaining delivery schedules. It relates the dependent requirements for the materials and components comprising an end product to time periods known as buckets' over a planned horizon (typically one year) on the basis of forecasts provided by marketing or sales and other input information NK. Nair (1996)

2.2.4 The ABC analysis

In any inventory which contains more than one stocked item, some items will be more important to the organization than others. Some items might have a very high usage rate so if they ran out many customers would be disappointed. Other items might be of a particular high value. So excessively high inventory levels would be particularly expensive. One common way of discriminating different stock items is to rank them by the value of their usage. Items with a particular high value of usage are deemed to warrant careful control for example sugar canes, lime whereas those with low usage values need to be controlled quite so religiously like oils, spirits. The ABC analysis is one appropriate way to control the inventory effectively. ABC analysis is based on the pareto principle (also called the 80:20 rule, as the 20% of the population is owned by 80% of the wealth).

The ABC analysis as an inventory control technique (system) suggests that there are a few items which contribute most of the inventory costs and a large number of items whose cost are relatively low. Accordingly using the ABC analysis, the inventory items are classified as A, B and C items.

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Below is a table that shows the comparison of A, B and C classes.

Class	Degree of control	Types of records	Lot size	Frequency of review	Size of safety stock levels
A	Tight	Accurate and complete	Low	continuous	small
B	Moderate	Good	Medium	occasional	moderate
C	Loose	Simple	Large	frequent	large

Source: a Tanwine, A.Q.lakhari.

The ABC analysis concentrates on important items and known as control by important and exception (CIE) Stonner et al, 2002).

According to Drury (1995), affirms inventory usually requires a large number of items ranging from relatively cheap items to more expensive items. Since inventory items represent idle money, it is rational that more control be exercised on more expensive items.

2.2.5 Vendor managed inventory (VMI)

This approach presupposes transfer of responsibility of managing and controlling inventory from the purchasing organization (who is the owner there of) to the supplier (seller) upon agreed terms. The purchasing organization has the legal ownership of the goods, but the goods after purchase will keep with the supplier and delivered to the buyers premises on the basis or order quantity and time (how frequently) of replenishment. Modern developments have been seen the emergence of a new practice Vendor owned inventory (VOI) where the inventory is kept at the buyer's premises (on consignment) and the buyer pays for what has been used/sold.

2.3 THE OTHER FACTORS THAT AFFECT THE PROFITABILITY

There are a number of other factors that affect the profitability of SCOUL other than inventory management as identified below;

2.3.1 Taxation

This is referred to a process of administering and collecting tax. Tax is a compulsory levy imposed by government upon assets of various categories. Imposing high taxes on raw materials leads to prices of finished products which lower the sales turnover hence lower profits. This has much affected the finished sugar and methlylated spirit and this has indeed lowered the profits as per company records. On the contrary, levying lower taxes on raw materials yields high profits for the organization in the long run (Mancisseh, 2000).

2.3.2 Productivity of the organization.

Productivity is Avery important in that, it measures the effectiveness of the firm in attaining its economic goals. The higher the productivity of the firm, the better placed it is in reducing costs of production produce good quality goods and services and offer them a dependable and flexible manner to the market (Kakuru, 2004).He further explains that superior quality can be used as a means of capturing market share thereby improving the revenue base of the firm. These will ultimately improve the profit level of the firm.

2.3.3 Management skills

This is other factors that affect the profitability of SCOUL. Much of the people that are employed in various positions are dingily employed for example procurement manager of SCOUL has minimal skills as regards procurement since he was trained as human resource manager. Such poor managerial skills can be indirect expenses. According to Lyson (2003), high indirect expenses lead to low profitability as a result of low operating efficiency in the firm.

However, managers are to properly organize, control and coordinate the organizational resources, highly contribute to good financial performance of the firm.

2.3.4 Competition

The level of competition in sugar industry has had a great effect on the level of profits in SCOUL. Competition leads to over expenditure on inventory, increases costs of advertisement which reduces on the expected profits because of increase in costs to meet the stiff competition. SCOUL faces many competitors whom they all produce sugar with like Kakira which is considered to be the leader in the market, Kinyara, Gim and many others. These and others have placed a very stiff competition on SCOUL and as such it has got to meet extra cost which eventually reduces on its profits. However competition also increases on the quality of product and also consumer satisfaction which eventually increases on the return on investment.

2.3.5 Liquidity

It is the firm's ability to meet the current obligations; this means that there will be high investment in cash and other current assets (Kakuru, 1995), Pandey (1998), states that a larger investment in current assets under certainty would mean a low rate of return of investment for the firm, as excess investment in current asset will not earn enough return. A low investment in current asset on the other hand would mean interrupted production and sales because of frequent stock outs this will consequently affect the sales revenues which either reduce or increase profitability.

2.3.6. Location of the business

Poor location may greatly affect the performance of the business while strategically located business targets the right market which increases the organizational profitability.

2.3.7 Information system (information flow)

There is need for good inventory control system between inventory management. This therefore calls for an information system to supplement the other activities like planning and linking the various departments to the procurements or stores department (Mugisha, 2000). Without the above, there will be interruptions due to lack of feedback, low productivity, low sales that will affect profitability.

2.4 THE RELATIONSHIP BETWEEN INVENTORY MANAGEMENT TECHNIQUES AND PROFITABILITY

Many previous studies conducted in various industries have revealed tangible benefits generated from efficient inventory management systems, Harrington (1999), Albar and Walker (1997) and Brand (1996). These benefits are such as financial benefits due to reduction in cost tied with high level of inventory, shipping and operating costs which later lead to increased profits margin. Increased customer satisfaction in terms of reliable delivery and increased responsiveness to changes and lastly closer coordination among channel members are other benefits recorded. These benefits result in an improvement in the quality of products and information and an increase in the sharing of expertise and risks which create a competitive advantage and greater profitability.

Primary objective of traditional logistics management was the minimization of the total cost of transport, warehousing, inventory and order processing, information systems, stock and Lambert (1987). Progressive supply chain management encompasses the planning, directing and controlling of the flow of products, services and information from a firm's supplier's suppliers to its customers customer through intermediaries such as distributors and retailers, Anderson et al (1997) the purpose is to coordinate activities "across the supply chain to create value for customers which increases the profitability of a every link in the chain"

A good inventory management system has always been important in the working of an effective supply chain. New technologies and collaborative methods of working with trading partners are set to revolutionaries this practice. Those who embrace implement lead and master those new technologies and inventory management system methods will develop significant key competitive edge over rival firms in the market place. In order to effectively manage products within the supply chain requires that the inventory management system used for supply chain management has accurate product information in the, Jeff, (2004)

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was used for the study. It states the research design, data collecting methods, study area, study population, sample selection, data processing and analysis. It also includes the limitations encountered in process of carrying out the study.

3.1 Research Design

The study will be in cross sectional design, the being quantitative data that was secondary in nature and analytical design according to the research objectives. According to the research objectives, across sectional design will be used because respondents will not be selected from one department. The study will be longitudinal covering data from 2005 to 2010.

3.2 Population of the study.

The population to be surveyed comprises more than 1000 employs, 60 of whom belong to procurement, others to accounts, administration, plantation, stores, human resource, and others

3.3 Sample size

A sample size of 50 respondents will be picked and interviewed by use of close sectional/ departmental questionnaires at various levels. The sample population will be divided into five (4) and it will include (10) respondents from the procurement department, (10) representative from the administration, 5 managers and the remaining respondents will be from the user department and suppliers

The population that will be selected.

Targeted population	Number of respondents
management	5
procurement	10
User department	25
Administration	10
TOTALS	50

Source; company data

3.4 Sampling procedure

The sampling procedure to be used is clustered random sampling method where employees of the procurement and other departments at SCOUL will be chosen to answer certain questions.

3.5.0 Data sources

The study is to be based on primary and secondary sources.

3.5.1 Primary source

The primary data sources will be responses from the respondents, who will be employees from the procurement department, administration, suppliers found at SCOUL by means of interview guides and use of self administrate red questionnaires.

3.5.2 Secondary sources

Data will be collected from existing and relevant literature, consisting of documents, books journals, and internet reports

3.6 Data collection methods

Questionnaire

The respondents will be asked to answer the questions set in the closed ended questionnaire for confidentiality, accuracy and honesty as they could. Questionnaires will be administered to 10 respondents; this method is chosen because it is convenient, fast and easy way of capturing data.

3.7 Measurements of variables

Inventory management was the researcher's independent variable; it was studied in terms of the inventory management techniques or systems used in SCOUL such as just in time, ABC analysis, EOQ techniques and others. Profitability was the researcher's dependent variable which was studied in terms of the other factors that affect profitability such as taxation, liquidity and competition among others.

3.8 Data analysis, processing and presentation.

The research was done by specifically making inference to available literature in order to compare and contrast the different opinions represented by different authors. The analysis mainly focused on identification of the differences and similarities between the available literatures.

3.9 Limitation of the study

The researcher faced a problem of language barrier; most of the employees in SCOUL are more conversant with Swahili or Indian which was not in favor of the researcher and to overcome this he befriended some of those who knew Swahili and English to interpret for him some cases.

CHAPTER FOUR

PRESENTATION ANALYSIS OF FINDINGS

4.0 INTRODUCTION

This chapter contains findings relating to the personal data of respondents, inventory management techniques, the relationship between the inventory management techniques and the profitability of the organization, and other factors that affect profitability.

This chapter has two sections. The first section presents the demographic features of the samples in the samples, while the second the section contains the findings on inventory management techniques and the other factors that affect the profitability.

4.1 DEMOGRAPHIC FEATURES

The demographic characteristics are presented showing the respondents characteristics including; sex of the respondents, level of education, departments they belong and experience of workers in the organization.

Table 1 shows the gender of the respondents

Gender	Frequency	Percentage (%)
Male	20	40
Female	30	60
Total	50	100

Table one shows that 60% of the respondents were females and 40% were male respondents This means that the company is dominated by the females.

Table 2 shows the departments respondents they belong

Departments	Frequency	Percentage (%)
Administration	10	20
Procurement	35	70
Others	5	10
Total	50	100

Table 2 shows that 20 % belonged to the administration department, 70% of the respondents were from procurement and only 10% from the others. Therefore the procurement department had most respondents, then administration and then others.

Table 3 shows the experience of workers

Period	Frequency	Percentage (%)
Below 2 years	10	20
2-4 years	15	30
4-6 years	5	10
Above 6 years	20	40
Total	50	100

Table three shows that 20% are under 2 years, 30% for 2-4 years,10% for 4-6 years and 40% for above 6 years. Most employees have worked for over 6 years

Table 4 shows the educational level

Education level	Frequency	Percentage (%)
Certificate	5	10
Diploma	15	30
First degree	25	50
Masters	5	10
Total	50	100

Table four shows that 50% hold first degree, 30% of the respondents hold diplomas and those that hold certificates and masters were 10% each. This means that most employees hold degrees in the company.

4.2 FINDINGS ON THE INVENTORY MANAGEMENT TECHNIQUES

The followings tables show the findings on the inventory management techniques as used in SCOUL.

Table 1 shows ABC analysis concentrates on the important items of each inventory

Extent	Frequency	Percentage (%)
Strongly agree	20	40
Agree	18	36
Disagree	2	4
Strongly disagree	1	2
Uncertain	9	18
Total	50	100

The shows the ABC analysis concentrates on the important items of each inventory because 40% strongly agreed and36% agreed, 2% strongly disagreed and only 18% were uncertain. This result therefore shows that it concentrates on important items. This is further seen by Dury (1995), affirms that it put more control on the more important items and expensive items of the organization.

Table 2 showing whether just in time technique minimizes inventory holding costs

Extent	Frequency	Percentage (%)
Strongly agree	25	50
Agree	15	30
Disagree	5	10
Strongly disagree	4	8
Uncertain	1	2
Total	50	100

Table two shows that just in time technique minimize inventory holding costs because 50% of the respondents strongly agreed and 30% agreed. Only 10% and 8% disagreed and strongly disagreed and 2% were uncertain. Most respondents strongly agreed that just in time minimizes inventory holding costs. This is evidenced by Stonner et al (2002), who describe JIT as one that reduces carrying costs and other expenses.

Table 3 showing whether EOQ shows the optimum inventory to hold

Extent	Frequency	Percentage (%)
Strongly agree	22	44
Agree	15	30
Disagree	3	6
Strongly disagree	5	10
Uncertain	5	10
Total	50	100

Table three shows the EOQ shows the optimum inventory to hold because 44% strongly disagreed and 30% agreed. Only 10% strongly disagreed and 6% disagreed while 10% were uncertain. Respondents strongly agreed that EOQ shows the optimum inventory to hold and indeed this is more seen in Meir (1999) that indicates that EOQ determines the optimum level of inventory to hold that minimizes costs.

Table 4 shows whether VMI does not take off the responsibility from the buyer to manage inventory

Extent	Frequency	Percentage (%)
Strongly agree	5	10
Agree	3	6
Disagree	15	30
Strongly disagree	22	44
Uncertain	5	10
Total	50	100

Table four shows that VMI does allow responsibility off from the buyer since only 10% strongly agreed and 6% agreed while 30% disagreed and 44% strongly disagreed that VMI does not take off that responsibility the buyer to manage inventory. Therefore VMI takes off the responsibility to manage inventory by the buyer and this is further seen in stores and inventory management by BALUNYA that defines it as actually transfer of responsibility to manage inventory and control from purchasing organization to the suppliers upon agreed terms.

Table 5 shows whether material requirement planning operates on forecasts

Extent	Frequency	Percentage (%)
Strongly agree	30	60
Agree	10	20
Disagree	5	10
Strongly disagree	3	6
Uncertain	2	4
Total	50	100

Table five shows that MRP operates more on forecasts since 60% strongly agreed and 20% agreed while only 10% disagreed and 6% strongly disagreed. Therefore the MRP operates on forecasts and this is emphasized in Nk.Nair (1996), indicates that it rates to the dependent requirements for the materials and components comprising an end product on time periods on the basis of the forecasts provided by marketing and sales and other input information.

Table 6 shows whether just in time technique emphasizes zero inventories

Extent	Frequency	Percentage (%)
Strongly agree	10	20
Agree	30	60
Disagree	2	4
Strongly disagree	5	10
Uncertain	3	6
Total	50	100

Table six confirms it that just in time emphasizes zero inventories because 20% strongly agreed and 60% agreed while only 4% agreed and 10% strongly disagreed and 6% were uncertain. IT emphasizes zero inventories since respondents agreed so and this true in Jordan (1997), defines JIT as one that is characterized with a move to minimize towards zero inventories aimed to minimize non value added activities.

4.3 FINDINGS OF THE OTHER FACTORS THAT AFFECT THE PROFITABILITY OF THE ORGANIZATION

The table below shows the findings on the other factors that affect profitability

Question	SA	%	A	%	D	%	SD	%	U	%	Total
Taxation reduces the profitability	25	49	10	20	5	10	5	9	2	3	100
Quality production increases profitability	30	60	15	30	3	5	1	2	2	3	100
Inefficiency of the employees reduces returns	15	20	20	40	5	10	5	10	10	20	100
Competition leads to incurring unplanned costs	28	55	10	20	5	10	3	5	5	10	100
Information flows do not affect profitability	3	5	5	10	18	35	20	40	5	10	100

The table shows taxation reduces the profitability of the organization since 49% strongly agreed and 20% agreed while only 10% and 9% while 12% were uncertain. Taxation majorly reduces the profitability because respondents strongly agreed and indeed this is as per the company records of 2010 shows how various taxes on spirit and sugar have reduced the daily returns.

The table shows that quality production increases the profitability of the organization since 60% of strongly agreed and 30% agreed while only 10% disagreed and 10% also strongly disagreed and 20% were uncertain .Quality production indeed increases the profitability because respondents strongly agreed and this is further seen by (Kakuru, 2004) explains that superior quality production can be a means of acquiring a market share they by improving their venue base of the firm. This will definitely improve the profit levels of the company.

The table shows that competition leads to incurring unplanned costs because 20% strongly agreed and 40% agreed while only 10% disagreed and 10% strongly disagreed, though 20% were unsure. Competition leads to incurring of unplanned costs that reduce profits since they agreed to it and it's true with the company records that it incurs costs like advertising and other expenses due to their competitors like KAKIRA and GIM sugar companies.

The table shows that inefficiency of employees reduces returns this is very true because 55% strongly agreed and20% agreed to it while only 10% disagrees and 5% strongly disagreed and 10%were uncertain. Indeed inefficiency of employees strongly reduces the returns of the employees and this is seen with Lyson (2003), those high an indirect expense that arises due to inefficiency of employees reduces profits.

The table above shows that information flow affects profitability since 40% strongly disagreed and 35% disagreed that information flow doesn't affect profitability. Only 5% and 10% strongly agreed and agreed respectively that information flow doesn't affect the profitability. This is further studied by (Mugisha, 2000) who calls for an effective information flow that supplement the activities and link it to other departments hence profitability.

4.4 FINDINGS ON THE RELATIONSHIP BETWEEN THE INVENTORY MANAGEMENT TECHNIQUES AND OTHER FACTORS THAT AFFECT PROFITABILITY

The table below shows the findings on the relationship between the inventory management techniques and other factors that affect profitability of the organization

Question	SA	%	A	%	D	%	SD	%	U	%	Total
There are other factors that affect profitability other than inventory management	30	60	10	20	5	10	_	0	5	10	100
New technologies in inventory management affect profitability	10	20	2	4	18	36	20	40	_	0	100
EOQ has reduced profitability of organization	_	0	_	0	20	40	30	60	_	0	100
Just in time affects profitability	_	0	_	0	20	40	30	60	_	0	100

The table above shows that there are other factors that affect profitability other than inventory management because 60% strongly agreed and 20% agreed while only 10%disagreed and others were uncertain. According to those results there more other factors other than inventory management and this is further evidenced with effect of factors like competition, taxation, liquidity and others

The table above goes on to show that new technologies in inventory does not affect profitability since 40% of respondents strongly disagreed and 36% disagreed and only 20% strongly agreed and 4% agreed .So according to those results its true they instead increase the profits on adoption. This is true also with Jeff (2004), who embraces them to various companies in order to gain competitive edge over their competitors.

The table shows also that the EOQ technique rather increases profits than reducing it because respondents strongly disagreed by 60% and 40% disagreed that the EOQ dose reduces the profitability of the organization. This is very true since even Meir (1999), indicates that it's important to apply it in order to minimize costs since it shows the optimum inventory to hold to maximize profits

The table above shows the that JIT doesn't affect the profitability of the organization since 60% of the respondents strongly disagreed and 40% disagreed that JIT affects the profitability of the organization. This is further evidenced by Lucey (1995), defines JIT as a Japanese technique that aims to reduce investment in inventory.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATION OF THE STUDY FINDINGS

5.0 INTRODUCTION

This chapter contains the summary, conclusion, recommendations of study and areas of further studies. The summary focuses on the findings and conclusions based on the findings on the study. The recommendations are aimed at improving on the inventory management techniques at Sugar Corporation of Uganda limited (SCOUL) and other organizations and how to overcome other factors that affect profitability.

5.1.0 SUMMARY OF THE FINDINGS

5.1.1 Summary on inventory management techniques

The researcher found out that Sugar Corporation of Uganda limited (SCOUL) mainly uses EOQ technique other than any other system at over 60% .This has helped to show which optimum inventory to hold at time.ABC analysis also helps to concentrate on more important item. It has been found out that JIT minimizes the inventory holding costs and emphasizes at zero inventories and also that MRP also operates on forecasts at this is done at 15% in SCOUL.

5.1.2 Summary on the other factors that affect profitability in the organization.

The researcher found that there factors that affect profitability in SCOUL such as taxation, employee skills and many other. Taxation reduces the profitability at 49% and also it was found out that competition has led the company incur unplanned costs like advertising costs. The inefficiency of the employees due to poor skills has also reduced the profitability of the company at 55%.It was found out that information flows do affect the profitability at 40% in case its not effective.

5.1.3 Summary on the relationship between inventory management and profitability.

The researcher found out that there many other factors that affect the profitability other than inventory management techniques. These factors include taxation, liquidity, information flow, management skills, location and many other factors. It was also found out it the EOQ increases the profitability at about 60% and also JIT dose not affect much the profitability. The new technology in inventory management affects profitability.

5.2 CONCLUSION AS PER THE SUMMARIES

From the above summaries, the researcher draws the following conclusions;

The study concluded that the techniques of managing inventory are material requirement planning, vendor managed inventory, just in time, economic order quantity and ABC.

Inventory management has the greatest influence on profitability of an organization. However, the study concludes there other factors that have an impact on organization profitability like taxation, competition, unskilled labour and others.

5.3 MANAGEMENT AND POLICY RECOMMENDATIONS

Basing on the study the researcher suggests the following policies to SCOUL's management and other researchers to adopt the following inventory management techniques

i. Information systems should be installed for effective monitoring of inventory since techniques like just in time can only be effective under the inventory management information system.

ii. Sugar corporation of Uganda limited (SCOUL) should ensure that workers attend seminars that impart proper knowledge of their operations for efficiency and improve their skills.

iii. The government should sensitize its citizens against the company's properties like the distant plantations and offices.

iv. Proper storage equipment that is efficient should be procured by Sugar corporation of Uganda limited (SCOUL) so as to keep their surplus sugar, spirits and other products.

5.4 AREAS FOR FURTHER RESEARCH

i. How profitable can a company be without proper inventory management?

ii. Has inventory management been a success for big companies and is that the reason for their profitability and growth.

iii. What skills are required by a procurement manager to effectively manage inventory of an organization for profitability?

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KAMPALA INTERNATIONAL UNIVERSITY BUSINESS SCHOOL

QUESTIONNAIRE

Dear respondents,

I am, Nanyonga phionah Lukens a third year student of Kampala International University Business School undertaking a research study under a topic "the effect of inventory management on profitability". The study is for academic purpose only and to fulfill the partial requirements for the award of a Bachelors degree in procurement and supply chain management.

Questions have been designed either ticking a response in space or appending or otherwise.

SECTION A: PERSONAL DATA

1. Gender

Male ☐ Female ☐

2. In what department do you belong?

Administration ☐ Procurement ☐ Other (specify) ....

3. How long have you been with the company?

Under 2 years ☐ 2-4yrs ☐ 4-6yrs ☐ over 6yrs ☐

4. Education level

Certificate ☐ Diploma ☐ First degree ☐ Masters ☐

Please indicate the following statements the extent to which you agree or disagree by ticking; SA=strongly agree, A=agree, D=disagree, SD=strongly disagree, U=Uncertain.

SECTION B: INVENTORY MANAGEMENT TECHNIQUES IN COMPANIES

	SA(5)	A(4)	D(3)	SD(2)	U(1)
ABC analysis usually concentrates on important items of each inventory in the company					
Applying Just in time always minimize inventory holding costs in the company					
If EOQ is used it can show the optimum inventory to hold in the company					
Sometimes the company uses Just in time technique which emphasizes zero inventories in the company.					
VMI does not take off the responsibility from the company to manage stock to the suppliers.					
Applying MRP means operating on forecasts in the company					

SECTION C: THE OTHER FACTORS THAT AFFECT PROFITABILITY

	SA(5)	A(4)	D(3)	SD(2)	U(1)
Taxation has always reduced the profitability of the company					
Quality production has been the main reason to the increase of profitability of the company.					
Inefficiency of the company employees has reduced has led to the reduction of profits					
Competition in the industry has caused the company to incur unplanned costs					
Information flows in the company do not affect its profitability					