4 WORKING CAPITAL MANAGEMENT AND ORGANIZATIONAL PERFORMANCE IN SELECTED TELECOMMUNICATION COMPANIES IN BOSASO, PUNTLAND, SOMALIA.

A Thesis

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DECLARATION A

I Abdisalam Hamud Abokor declare this thesis is my original work and has not been presented for a Degree or any other academic award in any university or Institution of learning"

Signature: ______________________

Date: 10 / [illegible] / 2012

DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my/our supervision".

Name and signature of Supervisor: Dr. Ssendagala

Date: 10th/09/2012

DEDICATION

I dedicate this thesis to my Mother Halimo Hasan Muse and Abdigani Hamud Abokor my brother my dear friend Sahal Salah with much love, for any effort and sacrifice they provided throughout my academic life and career development, also my respected friends for being supportive to me spiritually, emotionally, morally.

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Abstract

This dissertation is entitled "working capital management and organizational performance is selected telecommunication companies in Bosaso, Somalia". The study was carried out based on four specific objectives. The first major objective of this study was profile of respondents in which the study indicates that male dominate (71.4%) female (28.6%) in the three organizations staff, the study also revealed that 49.6% which is the very majority of the employees in the sample were aged below 40 years; 48.1% were 40-59 years old; 2.3% were 60 and above years old. The study shows that selected telecommunication companies, which was established mid 1990s in 200, employed a great number of academicians (46.6%). This is an indication of that selected telecommunication companies attracted and retained highly educated employees who are likely to perform their duties well. In second objective, the study shows that, on the overall, the level of working capital management (as to: cash management, receivable management, inventory management,) is good (grand mean = 2.67) and in third objective the study indicates that the level of organizational performance was found to be good (grand mean = 2.75). The last objective of the study was to determine whether there is a significant relationship between the level of working capital management and level of organizational performance in selected telecommunication in Somalia. The study used Pearson Linear Correlation Coefficient to measure and describe the relationship between the two variables of the study and to test the null hypothesis. The study also uses regression analysis to rank the effect of the three working capital components have on organizational performance. The level of working capital management was found to be positively and significantly correlated with the level organizational performance (sig. < 0.05 and r-value = 0.417). Based on the findings of the study the following conclusions are drawn:

According to the analysis the average mean of level of working capital management is 2.68, which showed that majority of the respondents agreed that the level of working capital management is good because the mean is in between 2.37- 2.93. As indicated in the analysis of chapter four, the average mean of the level of Organisational performance of the selected telecommunication companies is 2.75, this indicated that majority of the respondents agreed that the organizational performance of the telecommunication companies is good according to the average mean which lays in between 2.98-2.41.This study used descriptive survey design and correlation research design. Descriptive in that data collected used to describe a phenomenon; correlation in that it is interested in relating receivable management , cash management , inventory management , to organizational performance. It recommends that there is all employees should be given training in the maintaining the inventory of the organization and control system of all telecommunication companies in Somalia and to carry out their daily work to maximize their performance. The owners of the telecommunication should invest in the technological improvement to keep their business competitive in the market and maintain market sharing to other telecommunication companies in the market. The telecommunication companies should maintain sales volume to the market that the telecommunication companies sharing their competitive in the market.

CHAPTER ONE
THE PROBLEM AND ITS SCOPE

Background of the Study

The efficient management of working capital is very vital for every business' survival. This is premised on the fact that having too much working capital signifies inefficiency, whereas too little cash at hand signifies that the survival of business is shaky (Padachi, 2006).

Over the years there has been a big debate on the effect of working capital policy on the profitability. Other researchers support companies to have a working capital policy because they believe that proper management of components of working capital can balance cost and benefits of the company and it will reduce the risk of default by raising the level of liquidity (Ali, 2010).

The term working capital has several meanings in business and economic development finance. In accounting and financial statement analysis, working capital is defined as the firm's short-term or current assets and current liabilities. Net working capital represents the excess of current assets over current liabilities and is an indicator of the firm's ability to meet its short term financial obligations (Brealey and, Myers, 2002).

Some research studies have been undertaken on the working capital management practices of large companies, small firms, manufacturing companies, telecommunication companies, and so forth in UK, USA, and Belgium using either a survey based approach (Burns and Walker, 1991; Peal and Wilson, 1996) to identify the push factors for firms to adopt good working capital management policies or econometric analysis to investigate the association between WCM and profitability (Shin and Soenan, 1998; Anand, 2001; Deloef, 2003). In Sweden research was carried out with the purpose to explore relationship between working capital policy and profitability of firms.

Some other researches were conducted especially in developing countries like Pakistan, India, Taiwan etc. (Ghosh and Maji, 2003) made an attempt to examine the efficiency of WCM of the Indian cement companies during 1992 – 1993 to 2001 – 2002. For measuring the efficiency of WCM, performance, utilization, and overall efficiency indices were calculated instead of using some common working capital management ratios. Setting industry norms as target-efficiency levels of efficiency by an individual firm during the period of study. Findings of the study indicated that the Indian Cement Industry as a whole did not perform remarkably well during this period.

(Smith and Begemann 1997) published an article on WCM in Africa, specifically in South Africa where they emphasized that those who promoted working capital theory shared that profitability and liquidity comprised the salient goals of working capital management. The problem arose because the maximization of the firm's returns could seriously threaten its liquidity, and the pursuit of liquidity had a tendency to dilute returns. This article evaluated the association between traditional and alternative working capital measures and return on investment (ROI), specifically in industrial firms listed on the Johannesburg Stock Exchange (JSE). Also, research study was conducted exclusively on the impact of working capital management on corporate profitability of small manufacturing companies in Mauritius (Padachi, 2006).

In Somalia there are no such studies relating to working capital management, and every business entity, regardless of its business type, needs working capital management.

Statement of the Problem

Working capital management is considered to be a very important element to analyze the organizations' performance while conducting day to day operations, by which balance can be maintained between liquidity and profitability. Maintaining liquidity on daily basis operation to make sure it's running and meets its commitment is a crucial part required in managing working capital. It is a difficult task for mangers to make sure that the business function running in well-organized and advantageous manner. There are chances of inequality of current assets and current liability during this procedure Firm's growth and profitability will be affected if this occurs and firm manger wouldn't be able to manage it efficiently.

Efficient management of working capital, maximization of returns which seriously threatens liquidity, and pursuit of liquidity had a tendency to dilute returns are the challenges of working capital management for the telecommunication firmsfirm in Bosaso, Somalia. Managing working capital in perspective i.e. aggregative approach will lead to fully utilization of short and long-term assets and henceforth contribute to good managerial performance (Sweetman, 2000).

The observation of these facts motivated the researcher to carry out the research on the working capital management and organizational performance of the selected telecommunication companies Bosaso , Somalia.Organization performance in telecommunication companies in Bosaso is reported to be low (Osaman,2008). Poor performance by telecommunication companies is due to many factors however working capital management may have play a big role working capital management is considered to be a very element to among the organizations performance while considering day to day operations (MOhe'd,2000). poor working capital management seriously threatens liquidity ,profitability ,solvency, and efficiency of management of telecommunication companies this explain why the researcher wants to investigate the relationship between working capital management and organizational performance in selected telecommunication companies

Purpose of the Study

The following were the reasons why the study was proposed: to test the hypothesis of no significant relationship between the variables in this study and generate new information based on the findings of this study. The study will bridge the gaps identified from the related literature and related studies and finally, it will refine existing information about the variables in this study also to approve or disagree the theory. The study also establishes the cause-effect of working capital management and organizational performance in selected telecommunication companies in Bosaso , Somalia,.

The study aimed to contribute knowledge beyond the researcher time.

General objectives

The general objective was to investigate the relationship between working capital management and organizational performance in selected telecommunication companies in Bosaso, Somalia.

Specific objectives

1. To determine the profile of the respondents in terms of:
    a. Gender
    b. Age
    c. Educational level
    d. Number of years of experience
2. To determine the level of working capital management in selected telecommunication companies in Bosaso District, Somalia.
3. To determine the level of organizational performance in selected telecommunication companies in Bosaso District Somalia.
4. To determine whether there is a significant relationship between working capital management and organizational performance in selected telecommunication companies in Bosasot, Somalia.

Research Questions

The study was guided by the following research questions:

1. What is the profile of the respondents in terms of:
    a. Gender
    b. Age
    c. Educational level
    d. Number of years of experience
2. What is the level of working capital management in selected telecommunication companies in Bosaso , Somalia?

3. What is the level of organizational performance in selected telecommunication companies in Bosaso District Somalia?
4. Is there a significant relationship between working capital management and organizational performance in selected telecommunication companies in Bosaso District, Somalia?

Null Hypothesis

The study was guided by the following hypothesis:

There is no significant relationship between working capital management and organizational performance in selected telecommunication companies in Bosaso, Puntland, Somalia .

Scope of the study

Geographical scope

The study was conducted in Bosaso district, Somalia. Bosaso district borders with Indian Ocean to the south ,Lasqoray to the north.

Bosaso (formerly Bender Qassim) is located on southern coast of the Gulf of Aden and serves as a main port city in Somalia. This rapidly growing city has an estimated population of around 950,000. Tne of the main sources of income in Bosaso the fishing industry, however, the housing industry is seeing dramatic increases due to large numbers of people from across Somalia migrating to the city.

Bosaso is also home to Golis Telecom Somalia, the largest telecommunications operator in northeastern Somalia.

Content Scope

This study intends to examine the levels of working capital management in terms : cash management , receivable management , inventory management the strengths and weaknesses of these aspects, and cause and effect relationship between the independent variables (working capital management) and dependent variable (organizational performance)

Theoretical Perspective

The researcher resorts to a theory, by McInnes, Angelique Nadia Sweetman (2000) for which he used for his study of working capital management: theory and evidence from New Zealand listed limited liability companies, as a guide for the study..

Time Scope

The study was conducted from June 2012 to October 2012.

Significance of the Study

The following disciplines will benefit from the findings of the study.

The **employees** of the selected telecommunication companies will recognize the roles they have to play in fulfilling good working capital management practices in order to maximize the wealth of the firm.

The **managers** of the concerned telecommunication companies will aim at achieving the goal of adopting good working capital management policies, realize a satisfying level of performance and appreciate the contribution of the staff and resources available towards a better.

The **firms' policy makers & planners** will be able to develop relevant standards of working capital level for their respective firms.

The future researchers in this area will utilize the findings of the study to embark on a related study.

Operational Definitions of Key Terms

For the purpose of this study, the following terms are defined as they are used in the study:

Working capital management refers to the controlling of current assets and liabilities.

Working capital is that part of a firm's capital which is required to hold current assets of the firm.

Cash management is referred to the efficient management of cash in business in order to put the cash to work more quickly and to keep the cash in applications that produce income, such as the use of lock boxes for payment.

Debtors' management A unique strategy developed to help a debtor manage their debt. This strategy is usually developed and implemented by an outside company on behalf of the debtors, usually because debtor is unable to sufficiently manage their debt due to lack of knowledge or because they are overwhelmed by the amount of debt.

Inventories' management This is referred to the activities employed in maintaining the optimum number or amount of each inventory item.

Profitability defines: "Profitability as being the ability of a firm to generate net income on a consistent basis. It is often measured by price to earnings ratio".

Performance is the conditions that exist when the required results have been satisfactorily achieved. A performance standard is a measure applied to gauge the level of required performance standards to ascertain whether performance is achieved or not. In this case, performance is measured in terms of productivity that is to say out of man-hour, delays and performance.

Sale: is the act of selling of products or services in return for money or other compensation. It is an act of completion of a commercial activity.

Market share: is the percentage of the total market that a company controls for a particular product or product category.

Earnings per share: The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

Customer care: involves putting systems in place to maximize your customers' satisfaction with your business. It should be a prime consideration for every business - your sales and profitability depends on keeping your customers happy.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

Concepts, Ideas, Opinions from Authors/ Experts

Working Capital Management

Working capital is that part of a firm's capital which is required to hold current assets of the firm. Examples of current assets are raw material, semi-finished goods, finished goods, debtors, bills receivable, prepaid expenses, cash at bank and cash in hand. The firm requires cash to pay various expenses like wages, salaries, rent; advertising etc. Current assets have a short life span. They are swiftly transformed into other current-asset forms and ultimately in cash. In other words, funds invested in current assets are constantly converted into cash. This cash again flows out in exchange for other current assets. There is an operating cycle. Cash is used to buy raw material. Various telecommunication firmsexpenses are incurred to convert raw material into semi-finished goods and then into finished goods. On sale of finished goods on credit, trade debtors or bills receivable result. On receipt of payment, trade debtors and bills receivable are converted into cash and a cycle of working capital is completed. In case of cash sales, finished goods will directly be converted into cash. The cash is once again used to buy raw material to start another cycle. (Shukla, Grewal, & Gupta, 2007).
(Dong, 2010) reported that the firms' profitability and liquidity are affected by working capital management in his analysis. Pooled data are selected for carrying out the research for the era of 2006-2008 for assessing the companies listed in stock market of Vietnam. He focused on the variables that include profitability, conversion cycle and its related elements and the relationship that exists between them. From his research it was found that the relationships among these variables are strongly negative. This denote that decrease in the profitability occur due to increase in cash conversion cycle. It is also found that if the number of days of account receivable and inventories are

diminished then the profitability will increase numbers of days of accounts receivable and inventories.

(Mohammad Neab, and Noriza BMS, 2010) worked on crating the relationship between Working Capital Management (WCM) and performance of firms.

(Vanhorne , 1969)in his study recognizing working capital management as an area largely lacking in theoretical perspective, attempted to develop a framework in terms of probabilistic cash budget for evaluating decisions concerning
the level of liquid assets and the maturity composition of debt involving risk-return trade-off. He proposed calculation of different forecasted liquid asset requirements along with their subjective probabilities under different possible assumptions of sales, receivables, payables and other related receipts and disbursements.

Working capital management (WCM) is of particular importance to the small business. With limited access to the long-term capital markets, these firms tend to rely more heavily on owner financing, trade credit and short-term bank loans to finance their needed investment in cash, accounts receivable and inventory
(Chittenden et al, 1998 Saccurato, 1994)

Another aspect of the gross working capital points to the need of arranging funds to finance current assets. Whenever a need for working capital funds arises due to the increasing level of business activity or for any other reason, financing arrangement should be made quickly. Similarly, if suddenly, some surplus funds arise they should not be allowed to remain idle, but should be invested in short-term securities (Karthikeyan, 2011).

Working capital management consists of three major components namely: cash management, receivables management, and inventory management.

Cash Management

Cash management is broad term that refers to the collection concentration and disbursement of the cash the goal is to manage the cash balances of enterprise in such away to maximize the availability of cash not invested in fixed assets or inventories and to do so in such away to avoid the risk of in solvency. (Campbell R. Harvey, 1990).

According to(kenyes ,1980) is the management of the cash balances of a concern in such a manner as to maximize the availability of cash not invested in fixed assets or inventories and to avoid the risk of insolvency.

Cash management is the coming into the business and cash going out of the business during a given time period. But every business has a cash cycle. The cash that comes into the business does not always correspond to the same time or same rate as the cash that goes out. . (Rob, 1999).

Cash is the most important current asset for the operations of the business. Cash is the basic input needed to keep the business running on a continuous basis; it is also the ultimate output expected to be realized by selling the service or product manufactured by the firm. The firm should keep sufficient cash, neither more nor less. Cash shortage will disrupt the firm's productions operations, while excessive cash will simply remain idle without contributing anything towards the firm's profitability. Thus, a major function of the financial manager is to maintain a sound cash position.

Cash is the money which a firm can disburse immediately without any restriction. The term cash includes coins, currency and cheques held by the firm, and balances in its bank accounts. Sometimes near-cash items, such as marketable securities or bank times deposits, are also included in cash. The basic characteristic of near-cash assets is that they can readily be converted into cash. Generally, when a firm has excess cash, it invests it in marketable securities. This kind of investment contributes some profit to the firm (Mathur, 2010).

Financial management educators often compare cash in a small business with blood in the human body. Cash is often described as the life-giving fluid that keeps a business going. So, if cash is the blood of a business, cash flow is the circulation of the blood throughout the system. Circulation involves both cash flowing in and out of the business.

However, just because blood circulates through the body does not ensure a good blood pressure. The same is true for cash and a business. Simply generating sales revenue does not ensure that the business is profitable. Therefore, the cash handled by a business must be monitored through proper cash flow management. Many small businesses note that cash flow is a big problem/obstacle to their business success. Lack of available cash can weaken a business and even lead to business failure.

Cash that flows irregularly and unpredictably can be as disastrous as no cash at all. Effective cash flow management addresses both short-term and long-term planning (Holland, 1999).

Managing cash flow is really nothing more than managing information. Cash flow management is critical to all businesses, but is probably most critical for businesses whose trading can be seasonal and unpredictable. Short-term cash flow management strategies rely on record-keeping systems that provide quick and accurate access to revenue and expenditure transactions. Important information for cash flow management can be obtained from a variety of sources including procedure manuals, bank statements, cash flow forecasts, reports on debt collection and accounts payable. Routine cash management reviews must keep a close eye on debt collection, sales and deliveries, status of invoices, receipt of payments and depositing of payments.

The best cash flow management strategies usually result from systems that are fully understood by the cash flow manager. Sometimes such systems are computerized, while others are manual

Inventory Management

Inventory management, or inventory management, is an attempt to balance inventory needs and requirements with the need to minimize costs resulting from obtaining and holding inventory. Inventory is a list for goods and materials, or those goods and materials themselves, held available in stock by a business. It is also used for a list of the contents of a household and for a list for testamentary purposes of the possessions of someone who has died. In accounting inventory is considered an asset (Kieso, 2007).

Inventory-for telecommunication firm, managing inventory is vital (Larry & Christopher, 2009).. Inventory may consist of raw materials, work in process, and finished goods. The raw materials are the components and parts that are to be processed into a final product. Work in process consists of goods under production. Finished goods are the completed units awaiting sale to customers. Each category will require special consideration and control. Failure to properly manage any category of inventory can be disastrous to a business. Overstocking raw materials or overproduction of finished goods will increase costs and obsolescence. Conversely, out-of-stock situations for raw materials will silence the production line at potentially great cost. Failure to have finished goods on hand might result in lost sales and customers (Larry & Christopher, 2009).

A firm needs an **inventory management system** to effectively manage its inventory. There are several inventory management systems in vogue in practice. They range form simple systems to very complicated systems. The nature of business and the size dictate the choice of an inventory management system. For example, a small may operate a **two-bin system**. Under this system, the company maintains two bins. Once inventory in one bin is used, an orderly is placed, and meanwhile the firm uses inventory in the second bin. For a large departmental store that sells hundreds of items, this system is quite unsatisfactory. The departmental store will have to maintain a selfoperating, automatic computer system for tracking the inventory position of various items and placing order (Pandey 2007).

According Kieso (2007) though the traditional definitions of inventory is the term used to describe the assets of a company that are intended for sale in the ordinary course of business, are in the process of being produced for sale, or are to be used currently in producing goods to be sold in this study conceptualized to be referring to carrying cost, lead time, reorder, safety stock and economic order quantity.

Inventory management is primarily about specifying the size and placement of stocked goods. Inventory management is required at different locations within a facility or within multiple locations of a supply network to protect the regular and planned course of production against the random disturbance of running out of materials or goods.

The scope of inventory management also concerns the fine lines between replenishment lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods and demand forecasting.

Inventory in a business is a list of goods or products that is held in stock. It takes a lot of time to keep inventory, but failure to do so could result in major financial disasters. Depending on the size of your business, there are people whose sole job is to keep track of inventory. In a small business, this would not have to be their only task Propped, (2003).

Inventory is converted into cash within the company's operating cycle and, therefore, is regarded as a current asset. In the balance sheet, inventory is listed immediately after Accounts Receivable, because it is just one step farther removed from conversion into cash than customer receivables. Being an asset, it is shown in the balance sheet at its cost. As items are sold from this inventory, their costs are transferred into cost of goods sold, which is offset against sales revenue in the income statement. Propped, (2003).

The order point is reached when inventory on hand and quantities due in are equal to the lead time usage quantity plus the safety stock quantity. This is that level of materials at which a new order for supply of materials is to be placed. In other words, at this level a purchase requisition is made out. This level is fixed somewhere between maximum and minimum levels. Order points are based on usage during time necessary to requisition order, and receive materials, plus an allowance for protection against stock out Andel,(1998).

Reorder point planning uses demand forecasts to decide when to order a new quantity to avoid dipping into safety stock. Reorder point planning suggests a new order for an item when the available quantity--on-hand quantity plus planned receipts--drops below the item's safety stock level plus forecast demand for the item during its replenishment lead time (Monk and Ellen, 2009).

Weygand,(2005) Inventory carrying costs refers to the costs associated with carrying a quantity of stored inventory. This is one of the vital costs that need to be optimized in any logistics system. It is a well-known fact that the inventory carrying costs is a part of the total logistics costs of the firm. Aspects of these vital costs can be described and evaluated from a variety of perspectives. Knowledge of inventory carrying costs is likely to be important to the success of any business. In general, knowledge of inventory carrying costs constitutes a vital part of management information necessary to optimize the logistics system. However, without specific and comparable measurement of inventory carrying costs relative to a target level, knowledge of inventory carrying costs alone may not be sufficient to contribute either to the optimization of the firm's logistics.

Account receivable management

Accounts receivable management is the process of planning and controlling credit accounts and it plays great roll the profitability of the firm according smith ,(1998). Accounts receivable is the person(s) to whom you sold goods on credit and agreed to receive payment in future (David, 200o).

The management accounts receivable effectively and efficiency plays great cash-conversion cycle. Cash-conversion cycle is "a composite metric describing the average days required to turn a dollar invested in raw material, good or services into a dollar collected from a customer" (Stewart,1995). It can be also defined Days between accounts payable and accounts receivable. The faster accounts receivable collected the more cash to be collected.

Therefore, accounts receivable is the second most valuable asset in the organization after cash, and cash can not be generated unless to collect accounts receivable effectively and efficiently. Within this definition, I can say that accounts receivable is as a key metric that can drive the profit to be well improved.

Meanwhile, collection of accounts receivable will increase the total sales volume and sales revenue and also the same time will reduce cost of goods supplied, due to this, the profit and growth of organization will increase.

In addition to that, accounts receivable management can be used to increase the cash level, and also can be used to measure the liquidity and organizational valuation. However, the primary objective of credit management is to turn debtors into cash swiftly, but without upsetting the business relationship. This requires careful handling. It is a balancing act between the necessity to impress upon the customer the need for, and benefits of, prompt payment, without being so heavy handed that you put them off dealing with you ever again.More over, accounts receivable management is the process of planning and controlling credit accounts and it plays great roll the profitability of the firm. Effective controlling is characterized to increase sales, to Reduces bad debts, to Increases profits, to build customer loyalty, to build confidence of financial industry, to Increase company capitalization and to Increase the customer relationship.

To manage accounts receivable effectively, you need to analyze the credit worthiness of your buyer. The sources of information on credit worthiness of the buyer are Business references, Bank references, Credit agencies, Chambers of commerce, Employers and Credit application forms.

According to smith (1980**),** working capital management particularly cash and accounts receivable has great effect on the profitability of the firm and same time reduction of firm's risk.

Steven and William,(2005) Safety stock refers to inventory held when there is little or no confidence in lead time associated with an item or the supplier of that item. Methods to determine safety stock vary. Many of the players in small business inventory management subscribe to the simpler models for determining safety stock when instead they should use one of the standard deviation models. This allows lead time, demand, and service levels all play a role in determining the right minimal stocking level.The main reason of keeping safety stock is to buffer against random fluctuations in demand. Other reasons are because of the unreliability of supply and long transportation lead time. With improvements in product quality, supplier's lead time and logistics infrastructure, the last two factors can become relatively insignificant. Uncertainty in customer's demand

Organizational performance

Organization Performance can be defined as the process of quantifying the efficiency and effectiveness of past action (Neely 1998) the p performance can be measured either in quantitative in terms of economic performance alludes to the firms benefits, incomes and profitability that are related directly and indirectly to the firm's relational strategy and also qualitative performance refers to the improvement of the firm marketing positions (Srivostava et al,1999).

Saether, (2008) asserts that the term 'organizational performance is used comfortable in three time sense the past, present and future. In other words performance can refer to something completed or something happening now or activities that prepares for new need.

Mullins,(2002) refers to organizational performance refers to how the organization scores on the different dimensions such performance as referring to output or results of an organization as measured against its intended outputs (as profit indicators, customer care, and sales. Organizational performance indicators are the factors such as profit, sales, market share, and earnings per share customer care.

Turban, (2002) defines customer care involves putting systems in place to maximize your customers' satisfaction with your business. It should be a prime consideration for every business - your sales and profitability depends on keeping your customers happy .Customer care is more directly important in some roles than others. For receptionists, sales staff and other employees in customer-facing roles, customer care should be a core element of their job description and training, and a core criterion when you're recruiting. But don't neglect the importance of customer care in other areas of your business. For instance, your warehousing and dispatch departments may have minimal contact with your customers - but their performance when fulfilling orders has a major impact on customers' satisfaction with your business. A huge range of factors can contribute to customer satisfaction Eskow,(1995).

Obviously, the definition of profitability in this measure will indicate whether a particular item or product is generating profits or losses, then help develop strategies to be implemented to exploit this valuable information.

However, to this extent the definition of profitability – return definition allows us as a company significantly strengthen our products, allowing us to achieve a very high quality, achieving high customer satisfaction by the client, which simply means great benefits for us (John, 2011).

Market share is the portion or percentage of sales of particular services in a given region that are controlled by the company (terui, 2000).

Aldridge,(1994) sales is the act of selling of products or services in return for money or other compensation. It is an act of completion of a commercial activity.

Earnings per share are the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.(Anoton,1996).

Theoretical perspectives

The researcher resorts to a theory, by McInnes, Angelique Nadia, Sweetman, (2000) for which he used for his study of working capital management: theory and evidence from New Zealand listed limited liability companies, as a guide for the study. This theory of working capital management contends that if working capital is managed according to prescriptive theory then it would be expected that business would invest in working capital, finance working capital, monitor factors that influence working capital, manage cash, accounts receivable, inventory, accounts payable, the cash conversion cycle (aggregative approach), and measure and analyze performance to ensure that the long term (fixed) assets are utilized effectively and efficiently.

However given the theory of working capital management, there may be room for improvement regarding the strategies, tactics and techniques used to manage these components. Furthermore, the working capital management is also strategic as it impacts on the liquidity, solvency/bankruptcy, efficiency, profitability and shareholder wealth maximization of the business.

causes of high and low performance in organizations from this theoretical orientation or perspective such as theory adopted in this study is Robinson, (2008) inventory management theory, explaining that organizational performance is affected by inventory or spread of ideas through a system which in turn affect organization's productivity. Inventory is converted into cash within the company's operating cycle and, therefore, is regarded as a current asset. In the balance sheet, inventory is listed immediately after Accounts Receivable, because it is just one step farther removed from conversion into cash than customer receivables. Being an asset, it is shown in the balance sheet at its cost.

Related Studies

A study conducted in Yemen by Abdulraheman and Mohamed,(2005) on the impact working capital management on the organizational performance in telecommunication companies in Sana that working capital management has great influence on profitability. If the management takes good care of current assets in terms of their investment as well as finance and current liabilities, the firm surely will realize substantial profit.

According (Ejellt,1988).in his study working capital management and organizational performance in manufacturing firms in Munich found out that working capital is power driver of financial performance , in response to slowing growth and pressures on profitability, many companies today are exploring new ways to manage inventory better. Improved inventory management frees up cash to be invested elsewhere, allows products to be sold at lower prices, facilitates entrance into new markets, and delivers other benefits that improve financial performance and create competitive advantage. Performance itself is a multi-dimensional construct, the measurement of which varies depending on a variety of factors. An organization's performance relies heavily on the participation and support of its employees, motivation, ability and the work environment (nature of the work itself) typically influence an employees' job performance.

Hussein, (2002) studied working capital management and organizational performance in north Somalia in certain telecommunication companies .and his studies shows that companies do not care about liquidity may face the problem of insolvency or bankruptcy . For this reason working capital management should be given proper consideration and will ultimately affect organization's performance in terms, profit, earning per share, market share.

Firms may have an optimal level of working capital that maximizes their value. Large inventory and a generous trade credit policy may lead to high sales.

CHAPTER THREE
METHODOLOGY

Research Design

This study used descriptive survey design and correlation research design. Descriptive in that data collected used to describe a phenomenon; correlation in that it is interested in relating receivable management , cash management , inventory management , to organizational performance. It deals with the relationship between variables, testing of hypotheses and development of generalizations and use of theories that have universal validity. It also involves events that have already taken place and may be related to present conditions Kothari,(2004).

Research Population

Target population

The study conducted among three (3) selected telecommunication companies. Namely by Golis telecom, Nation link telecom and Telecom Somalia in Bari region particular in Bosaso.The target population was two hundred (200). The target population was the employees (top & middle administrators and supporting staff) was involved because they are all directly affected by whatever policy is made on working capital management which in turn affects organizational performance of selected telecommunication companies in Bosaso Somalia.

Sample Size

The sample size of the study was 133 respondents of whom 93 were supporting staff (non-managerial staff), and forty (40) were top and middle administrators (managerial staff). This sample size was computed using the Sloven's formula, which state that for any given population the required sample size is given by;

$$n = \frac{N}{1+N\,(e)^2}$$

Where; n =the required sample size; N = the known population size; and e= the level of significance, which is = 0.05.

$$
\begin{aligned}
n &= \frac{N}{1+N(e)^2} \\
&= \frac{200}{1+200(0.05)^2} \\
&= \frac{200}{1+200(0.0025)} \\
&= \frac{200}{1+0.5} \\
&= \frac{200}{1.5} \\
&= 133.33 \\
n &= \underline{133}
\end{aligned}
$$

Given a total population of 200 respondents in selected telecommunication companies in Bosaso , puntland Somalia , ,the sample was 133 respondents as illustrated Table 1.

Table 1

Respondents of the Study

Organizations	**Target population**	**Sample size**
In selected three telecommunication companies.		
Supporting Staff	140	93
Top & Middle administrators	60	40
Grand total	**200**	**133**

Source 2012

Sampling design and sampling Procedure

The study used two sampling techniques: stratified random sampling and simple random sampling techniques. In stratified sampling the population is divided into sub-populations. The goal of stratified random sampling is to achieve desired representation from various sub-groups in the population. In this study the target population is 200 hundred employees of whom 140 are non-managerial staff and 60 are managerial staff (middle and top administrators) - these are called stratums.

Stratified sample size is proportionate to stratum size: the sample size from each stratum is proportionate to the size of the stratum. That is, the sampling fraction = n/N= 133/200 = 0.665.

Simple random sampling technique is then used to select independently from each sub-population. Simple random sample is a sample obtained from the population in such a way that samples of the same size have equal chances of being selected. Random sampling also allows the use of inferential statistics; statistical indices calculated on the sample can be evaluated to determine the degree to which they accurately represent the population parameters.

This study used the lottery method whereby in selected telecommunication companies of employee ID numbers were written on the tags that identified 200 employees to be sampled of whom 140 are non-managerial and 60 are managerial staff. The tags were placed in two containers: one container for 60 managerial tags and the other for 140 non-managerial tags and each stirred well. Two persons were allocated to draw the tags from the two containers at a time and the process was repeated until the required 93 non-managerial and 40 managerial employees were obtained which makes 133 desired sample size respondents.

Research Instrument

The research tools that was utilized in this study include the following: (1) face sheet to gather data on the respondents' demographic characteristics (gender, age, qualifications, number of years in the companies, number of years of working experience); (2) researcher devised questionnaires to determine the level of working capital management as components of cash management (5 items), receivable management (2 items) inventory management (2 items), safety stock (5items), monitoring and evaluation (5 items), similarly non-standardized instrument was used to determine the level of organizational performance (4 items).

Validity and Reliability of the Instruments

The researcher tested for validity of the working capital management and organizational performance questionnaires which are non-standardized, where content validity was done by ensuring that questions or items in questionnaire conform to the study's conceptualization, supervisor and other senior staff in KIU who are experts in the field of the study evaluated the relevance, wording and clarity of questions or items in the instrument. Pre-testing for reliability was conducted by administering the questionnaire to 3 qualified administrators in selected among telecommunication companies who were not included actual questionnaire in this study.

Validity Table using Content Validity Index (CVI)

The study used 3 judges whereby the first judge agreed that 38 items of the 44 items were valid, second judge agreed that 41 items and lastly third judge agreed that 42 items were valid. In addition to the inter-judge individual coefficient of validity, the

$$\text{Therefore, average CVI} = \frac{\text{Total inter-judge individual coefficient of validity}}{\text{Total number of judges}} = \frac{2.74}{3.00}$$

CVI -------------------- = = **0.91**

For the instrument to be accepted as valid, the average index should be 0.7 or above. Therefore, since CVI is 0.91 then the instrument used in this study is valid. Reliability is the degree to which an instrument consistently measures whatever it is measuring. An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concept from the same respondents even by other researchers. To ensure reliability, the two instruments were pre-tested by administering them to 14 respondents in telecommunication companies. Reliability of the data collected was tested using the Cronbach's coefficient alpha (α), computed using SPSS.

Average results of CVI are indicated in table appendix IV

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Computation of Reliability

Reliability is the degree to which an instrument consistently measures whatever it is measuring. An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concept from the same respondents even by other researchers. To ensure reliability, the two instruments were pre-tested by administering them to 10 respondents in Burao Golis University. Reliability of the data collected was tested using the Cronbach's coefficient alpha (α), computed using SPSS.

Results in table appendix V indicate that the instrument had a high degree of reliability, with all Cronbach's alphas for all items greater than 0.8, which is the minimum Cronbach's alpha required to declare the instrument reliable

Data Gathering Procedures

The following data collection procedures were implemented:

A. Before the administration of the questionnaires

1. The researcher was requested for an introduction letter from College of Higher Degrees and Research to get permission to conduct the study from respective directors of selected telecommunication companies.
2. When approved, the researcher was secured a list of the qualified respondents from the selected companies' authorities in charge and select through simple random sampling from this list to arrive at the minimum sample size (table 1).
3. Reproduce more than enough questionnaires for distribution.
4. Select research assistants who would assist in the data collection; brief and orient them in order to be consistent in administering the questionnaires.

During the administration of the questionnaires

1. The respondents were requested to answer completely and not to leave any part of the questionnaires unanswered.
2. The researcher and assistants was emphasized retrieval of the questionnaires within two weeks from the date of distribution.
3. On retrieval, all returned questionnaires were checked if all are answered.

B. After the administration of the questionnaires

The data collected was organized, collated, summarized and statistically treated and drafted in tables using the Statistical Package for Social Sciences (SPSS).

Data Analysis

To determine the level of the respondents, the frequency and percentage distribution was used. The mean and standard deviation applied for the level of working capital management and organizational performance. An item analysis based on the mean scores and ranks was reflected the strengths and weaknesses of the respondents in terms of working capital management and organizational performance. The t-test was be utilized to test the difference between means for null hypothesis one (Ho #1) at 0.05 level of significance. A multiple correlation coefficient was used to test the hypotheses on correlation (Ho #2) at 0.05 level of significance using a t-test was employed. The regression analysis $\mathbf{r}^2$ (coefficient of determination) was computed to determine the influence of the independent variables on the dependent variable.

The following mean range was used to arrive at the mean of the individual indicators and interpretation:

A. For the level of working capital management

Mean Range	Response Mode	Interpretation
3.26-4.00	strongly agree	Very good
2.51-3.25	agree	good
1.76-2.50	disagree	Fair
1.00-1.75	strongly disagree	Poor

B. For the level organizational performance

Mean Range	Response Mode	Interpretation
3.26-4.00	strongly agree	Very good
2.51-3.25	agree	good
1.76-2.50	disagree	fair
1.00-1.75	strongly disagree	Poor

Ethical Considerations

To ensure utmost confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities were implemented by the researcher:

1. All questionnaires were coded to provide anonymity of the respondents.
2. The respondents were requested to sign the informed consent.
3. Authors quoted in this study were recognized through citations and referencing.
4. A written communication to the authors of the standardized instrument.
5. On emotional intelligence to solicit permission to used the standardized questionnaire.
6. Presentation of findings was generalized.

Limitations of the Study

The researcher was accepted (0.05 level of significance) 5% margin of error in view of the following anticipated threats to validity with relevance to this study:

1. Testing: Differences in conditions and time when the data obtained from respondents by different persons on different days at different hours. This was minimized by orienting and briefing the research assistants on the sampling techniques and data gathering procedures.
2. Instrumentation: The research instruments on working capital management and organizational performance are not standardized. Therefore a validity and reliability test was did to produce a credible measurement of the research variables.
3. Mortality: The calculated number of respondents may not be reached considering the fact that some questionnaires may not be returned due to circumstances with the respondents and beyond the control of the researcher (All

questionnaires may not be returned completely answered or even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal to participate). Therefore, the researcher was endeavoring to attain the appropriate number of respondents for reasons of representativeness.

4. Extraneous Variables: These were beyond the researcher's control such as respondents' honesty, personal biases and descriptive nature of the design.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA

Demographic information of the respondents

This part presents the background information of the respondents who participated in the study. The purpose of this background information was to find out the characteristics of the respondents and show the distribution of the population in the study.

In addition to that, the first objective of this study was to determine the profile of respondents as to Age, Gender, qualification and experience to examine what category the majority of the respondents are fit in. Data on this objective was analyzed under the question "What is the profile of the respondents as to Age, Gender, and experience and Educational level?

Table 2
Profile of the respondents
n = 133

Gender	**Frequency**	**Percentage (%)**
Male	95	71.4
Female	38	28.6
Total	**133**	**100.0**
Age		
20-39	66	49.6
40-59	64	48.1
60 and above	3	2.3
Total	**133**	**100.0**
Qualification		
Secondary	38	28.6
Diploma	33	24.8
Bachelor	46	34.6
Master	14	10.5
PHD	2	1.5
Total	**133**	**100.0**
Experience		
Less than 1yr	18	13.5
1-2 yrs	41	30.8
3-4 yrs	47	35.3
5-6 yrs	24	18
7yrs	3	2.3
Total	**133**	**100**

Source, 2012

From the above table 2, it is indicated that different categories were involved in the study. 71.4% of the respondents were male, whereas, the other 28.6% of the respondents were female, so it is obvious that the three firms were dominated by male workers.

The findings of the study showed that the majority of the workers i.e. 49.6% are between 20-39 of age, and 48.1% of the respondents were 40-59 of age i.e. middle adult hood. But the minority of the respondents was in the age bracket of 60 and above. According to the findings, it is clear that the selected telecommunication companies tended to employ young people at the age bracket of 20-39.

Table 2 also showed that the finding of the study indicated that the majority of the respondents were Degree holders which makes up 34.6% of the respondents, the second group of the respondents are secondary holders which represents 28.6% of the respondents, the third group of the respondents were Diploma i.e. Master a holders are 10.5% where PhD holders are 1.5%.

Likewise, the findings reveal that the majority of the respondents had the experience of 3-4 years of work; this makes up 35.3% of the total respondents, whereas 30.8%, 18% were represented by the respondents whose experience were 1-2 years and 5-6 years respectively. Those with the less than one year and of experience represented 13.5% of the respondents. But the fledgling workers those are 7 year of experience and above were the minority group among the respondents and they represented 2.3%.

Table 3

Level of Working Capital Management
n = 133

n = 133ndicator	Mean	Interpretation	Rank
Cash Management			
The firm provides cash from Spontaneous sources or Negotiated sources	2.37	Fair	10
The firm's Deposit doesn't float	2.62	Good	9
Each account is used for funds and are transferred to the State treasures Office	2.63	Good	8
The firm invests the excess cash in marketable securities to draw profit	2.68	Good	7
The firm's cash flow regularly and predictably	2.70	Good	6
Your firm maintains enough number of bank accounts	2.71	Good	5
Your firm allows internal netting of outstanding Accounts Payable and outstanding Accounts Receivable Items?	2.74	Good	4
The firm handles returned checks	2.75	Good	3
The type of payment the firm receives is cash	2.85	Good	2
Cash entries are directly to the general Ledger (i.e. Cash Receipt or Non-accounts Receivable Cash)	2.86	Good	1

Mean index	2.69	Good	
Receivables Management			
There is a reception of deposits or prepayments	2.93	Good	1
Tracking and recording relationship of customers	2.91	Good	2
Efforts on studying and sorting customers' credit worthiness	2.86	Good	3
Sending customer statements	2.79	Good	4
Collectors actively call customers on delinquent items	2.66	Good	5
Little returned invoices	2.65	Good	7
The firm sells to customers on: credit policy	2.65	Good	6
Level of bad debts	2.62	Good	8
The firm has little slow-paying customers	2.59	Good	9
Revenue, receivable, freight and tax	2.58	Good	10
Analyses the variance in collection	2.46	Fair	11
Level of firm's receivables is high	2.41	Fair	12
Mead index	2.67	good	
Inventory Management			
Firm's management takes appropriate steps to safeguard goods against the risk of loss	2.50	Fair	10
Departments compare quantities received against reports	2.53	Good	9
Receiving, recording, and storing responsibilities are properly segregated	2.58	Good	8

Inspection results are given after the storage	2.59	Good	7
Materials are released from storerooms only on the basis of requisition	2.66	Good	6
The inspection of goods takes place before unloading	2.68	Good	5
Item classification in the firm is raw materials, work in process, finished goods, and services	2.73	Good	4
Adequate provision made for obsolete and inactive items in inventories	2.79	Good	3
Multiple unit of measure	2.82	Good	2
An in-built system software of placing order	2.83	Good	1
Mean index	2.67		
Overall Mean Index	**2.67**	Good	

Source: Primary date, 2012

As the table 3 shows us The mean of 2.37 indicates that half of the respondents have agreed that the selected telecommunication companies provide cash from negotiated sources, while the other half have agreed the opposite. So the firms' securing of cash from negotiated sources and Spontaneous is fair.

A mean of 2.62 is showed in the table3A for deposit floating, and the majority of the respondents have asserted that the selected telecommunication companies deposit does float longer, whereas, the minority have agreed the otherwise. Accordingly, the firm's deposit float is good.

Table 3 also showed that the mean of 2.63 represents the use of bank accounts for funds, this mean shows that the majority of the respondents agreed that the managers of the firms make sure that the bank accounts are for the right purpose i.e. transferring funds to it for safety, whereas the minority of the respondents agreed that the management of the selected telecommunication companies do not review whether the bank accounts are used for the transferring funds or not, henceforth, the firm's policy towards the use of funds is good.

The findings show a mean of 2.68 for investment of cash excess in marketable securities and the majority of the respondents have agreed that the financial management of the selected telecommunication companies invest cash excess in marketable securities, while the minorities of the respondents have agreed that the financial management of those companies don't do that. However, this shows that the companies' treating to cash is good.

Table 5 A also showed a mean of 2.70 for cash flowing regularly and predictably, and the majority of the respondents have agreed that the firms' cash flows regularly and predictably, whereas the minority of them have agreed the otherwise. Therefore, the firms" cash flowing regularly and predictably is good.

Table 3 revealed that the mean of the number of the firm's bank accounts is 2.71 which indicates that majority of the respondents agreed that the workers of the selected telecommunication companies that there is enough number of bank accounts, while the minority says that there is no enough number of bank accounts. This reveals that these are good at maintaining of having bank accounts which will not give opportunity for cash to be stolen or lost.

From table 3 above, a mean of 2.93 for reception of deposits and prepayments was indicated which means that the majority of the respondents have agreed that the selected telecommunication companies receive deposits and prepayments, whereas the minority of them disagreed with the reception of deposits and prepayments. According to this, the companies' reception of deposits and prepayments is good.

Also table 3 showed that the efforts of the selected telecommunication companies' to relationship tracking of the customers is matched with a mean of 2.93 which reveals that the majority of the respondents agreed that those selected telecommunication firms track their relationship with the customers, while the minority of them agreed the reverse i.e. they don't track the relationship with the customers. Therefore, the selected telecommunication firms' relationship tracking is good.

Likewise, a mean of 2.86 is indicated in the table for the level of efforts of the firms to study their customers' creditworthiness and the majority of the respondents have agreed that the selected telecommunication companies study well their customers' creditworthiness, while the minority said the selected telecommunication companies do not study their customers' creditworthiness. As a result, the selected telecommunication firms' studying customer creditworthiness is good.

The table also showed means ranging from 2.62 to 2.79 to determine issues such as sending customer statement, actively calling customers at time of delinquency, level of bad debts, level of investment in receivables, analyzing of variance in collection, slow-paying customers, terms of credit, and fast collection of receivables and the majority of the respondents have agreed that the selected telecommunication firms send customer statements, actively call customers at time of delinquency, reduce level of bad debts, invest a suitable level in receivables, analyze the variance in collection, have little slow-paying customers, sell to creditors on very selective basis, and are fast in their collection in their receivables.

In the last row of table 3 a mean of 2.41 was indicated which means that the majority of the respondents have not agreed that the firm's receivable are high while the rest minority of the respondents have agreed . According to this, the selected telecommunication companies a level of firm's receivable is fair.

From table 3 above average means ranging from 2.79 to 2.50 were indicated to determine inventory management of the selected telecommunication companies in terms of continuous supply of raw materials, the firms' adjustment of buying to the level of sales, acquisition of inventory more frequently, inspection of goods, steps to safeguard goods, software system to place order, adequate provision or contingency for obsolescence, separation of receiving, recording, storing responsibilities, and release of materials from stores on requisition basis and the majority of the respondents have agreed that the telecommunication firms receive continuous raw materials, adjust their level of buying to the level of sales, acquire inventory more frequently, carry out inspection of goods, take appropriate steps to safeguard goods, install software system to order, provide contingency for obsolescence, separate duties of receiving, recording, storing, and release materials form store only on the basis of requisition, whereas the minority of them have agreed the selected telecommunication firms do not implement these policies in order to manage inventories well.

On the third end row of the table above, a mean of 2.66 for materials released from storerooms only on the basis of requisition which means that the majority of the selected telecommunication release materials/goods from storerooms only on the basis of requisition, while the minority said the firms do release materials/goods from warehouses on the basis of requisition. However, the mean indicates that the firms' policy with respect to releasing of materials from stores is good.

Also in the table a mean for receiving, recording, and storing responsibilities separation was calculated and the reading is 2.58 which mean that the majority of the respondents agreed that the selected telecommunication companies separate the responsibilities/duties of receiving, recording, storing of goods, while the minority did not agree that the selecting telecommunication do separate. Therefore, the separation of receiving, recording, and storing responsibilities for the selected telecommunication firms is good

Also a mean of 2.59 was indicated in the table for inspection results of inventories which meant that the majority of the respondents have agreed that the selected telecommunication firms inspect results after storage, whereas the rest minority disagreed that the selected telecommunication companies do not inspect results after storage. So the selected telecommunication firms' policies' concerning inspection results after storage is good.

Table 4
Level of Organizational performance in telecommunication companies (n= 133)

Indicator of the organizational performance	Mean	Interpret
Profits		
Gross profits in your organization are high compared to other players in the market.	2.98	Good
Net profits in your organization are high after deducting taxes and interest after taxes.	2.93	Good
Mean index	2.95	Good
Sales		
Sales in your organization are high compared to other players in the market.	2.73	Good
Monthly sales in your organization are increasing compared to other players in the market.	2.57	Good
Mean index	2.65	Good
Market share		
Market share of your organization is big compared to other players in the market.	2.80	Good
Your market share is increasing in terms of improved product attributes, consumer friendly prices among others.	2.61	Good
Mean index	2.70	Good
Earnings per share		
Earnings per share in your organization are high compared to other players in the market.	2.67	Good
Earnings per share in your organization are set to be increasing considering in future.	2.74	Good
Mean index	2.70	Good
Customer care		
Customer care in your organization is good in terms of prompt solving consumer complaints.	2.93	Good
Customer care in your organization is good in terms of abiding by warranties given to consumers.	2.80	Good
Customer care in your organization is good in terms of product channel of distribution management.	2.78	Good
Customer care in your organization is good in terms of keeping customers informed, offering value for money and offering after sales service.	2.48	Good
Mean index	2.74	Good
Overall Mean Index	2.75	Good

Source, 2012

The means in table 6 suggest that most employees in the selected telecommunication companies rated level of organizational performance as good according the mean 2.98 the profit of the organization compared the other player into market is good .Table 4 above indicated mean 2.93 concerning questions that respondents were asked the cases that stand out Net profits in your organization are high after deducting taxes and interest after taxes. Suggests that most respondents were agreed according this the organizations profit are high after deducting the profit is good.

Also table 4 Suggests that most respondents were rarely regarding the use of profit on the organization of the performance (mean≈2.73) which falls under rarely on the scale, all sales volume were rated as rarely used (mean ≈2.73) employee maintain sale volume and organization provide market their service to their customer. As regards the market share some employee rated as often (mean ≈ 2.80) market share increase for the product or service that the telecommunication companies provide their customers. even as regards the earring per share of the telecommunication companies is high or increasing to compare to other players in the market and rated mean≈2.61, and increasing in the future of the organization of their earring per share and were rated the (mean≈2.67), Customer care of the organization is good in terms of prompt solving consumer complaints the rated that the customer care of the organization is good mean≈2.93.

To get a summary picture on how respondents rated level of organizational performance, an average index was computed for all the twelve items in table 6., which turned out to have a mean index of 2.75 Confirming that responding employees of selected telecommunication companies rated the level of organizational performance as good (most means ≈ above 2.75), which falls under 'good level organizational performance on our scale. The result showed that the employees of telecommunication companies had the same opinion the level of employee organizational performance. The mean index further indicated that the employee rated the level of employee organizational performance as good (mean index 2.75). Thus it can be deduced that the level of employee of the organizational performance of selected telecommunication companies was good.

Table 5

Correlation for Scores in working capital management and organizational performance in selected telecommunication companies in Bosaso ,Somalia

(Level of significance 0.05)

Variables Correlated	r-value	Sig.Value	Interpret	Decision Ho
working capital management vs organizational performance	.417**	.000	Positive and significant Relation ship	Rejected

**. Correlation is significant at the 0.05 level (2-tailed).

Results in table 6 suggest that the level of working capital management altogether is significantly correlated with level of organizational performance in general (r = 0.417, Sig. = 0.000). This leads to a conclusion that working capital management are important for organizational performance and these results are significant at 0.05 level of significance. Basing on these results, the stated research hypothesis is rejected, the alternative is accepted leading to a conclusion that working capital management and organizational performance (sig. = 0.000) are significantly correlated at 0.05 level of significance.

Regression Analysis for level of working capital management and level of organizational performance

Regression analysis helped rank the effect of the two working capital management on organizational performance in selected telecommunication companies, with the view of identifying the most important working capital management components. Table 8 shows results of this test.

Table 6

Regression Analysis for the level of working capital management and the level of organizational performance

(Level of significance 0.05)

Variables Regressed	Adjusted r^2	Beta	F-value	Sig.	Interpret.	Decision on Ho
Working capital management vs organizational performance	0.513	-	11.017	0.000	Significant effect	Rejected
Cash management vs organizational performance	0.462	.301	3.432	0.001	Significant Effect	Rejected
Inventory management vs organizational performance	0.382	.242	2.691	0.008	Significant Effect	Rejected
Receivable management VS org	-012	.015	- .900	.9251	insignificant	Rejected

The results in table 6 suggest that working capital management positively and significantly affect organizational performance in selected telecommunication companies

(F=11.017, sig. = 0.000). The results indicate all the two working capital management components together contribute over 51.3% towards variations in organizational performance in selected telecommunication companies (adjusted r^2 = 0.513). Results also indicate that cash management component contributes 46.2% towards variations in organizational performance and inventory management contributes 38.2%.

Considering coefficient section of table 6, results indicate that while all the three components of working capital management when taken together significantly affect organizational performance, not all the three components are individually significant and not all of them contribute the same way. Results indicate that of the three working capital components only two significantly affect organizational performance, from there; inventory management and cash management most significantly affects organizational performance(Beta = 0.301); the second most significantly component that affects organizational performance is inventory management component (Beta = 0.242.

CHAPTER FIVE

FINDINGS, CONLUSIONS AND RECOMMENDATIONS

Summary of the Findings

This study was guided by four objectives which consist of these (1) To determine the demographic characteristics of the population in terms of: age, gender, level of education, and experience of respondents working in the selected telecommunication companies (2) To determine the level of working capital management of the selected telecommunication companies(3) To determine the level of organizational performance of the selected telecommunication companies (4) To establish if there is a significant relationship between the levels of working capital management and organizational performance of the selected telecommunication companies in the study.

The first objective of the study, the descriptive statistic showed frequencies and percentages, indicating the characteristics of the respondents and also showed the distribution of the population in the study. The result indicated that men dominated the selected telecommunication companies.

And also the findings indicated that diverse age among the workers in the selected telecommunication companies, different ages from youth to old aged who have information in the field of study and can provide useful information to the study.

In addition to that, the findings have revealed that majority of the respondents have degree, while the minority hold masters and PhD. This shows that the workers are no high in the educational hierarchy and consequently knowledge shortage and skills.

The second objective was to determine the level of working capital management in the selected telecommunication companies. Based on the analysis of chapter four, the findings revealed that most of the respondents agreed that working capital management indicator/component namely cash management was good in view of the questions asked and the mean average for that ranged from 2.86 to 2.37. cash management in terms of The firm provides cash from Spontaneous sources or Negotiated sources has showed a mean of 2.37 which means that majority of the respondents believe that the selected telecommunication companies firms provides cash from spontaneous longer which adversely affects the efficiency of cash management of the telecommunication companies. In light of the above, the firm provides cash from spontaneous of the telecommunication companies is fair.

But cash management in terms of deposit floating has showed a mean of 2.62 which means that majority of the respondents believe that the selected telecommunication companies deposit float longer which unfavorably affects the efficiency of cash management of the selected telecommunication companies. In light of the above, the deposit floating of the telecommunication companies is good.

Table also showed that the mean of 2.63 represents the use of bank accounts for funds, this mean shows that the majority of the respondents agreed that the managers of the firms make sure that the bank accounts are for the right purpose i.e. transferring funds to it for safety, whereas the minority of the respondents agreed that the management of the selected telecommunication companies do not review whether the bank accounts are used for the transferring funds or not, henceforth, the firm's policy towards the use of funds it need to change although its good.

For the receivables management indicator, the table has shown that the receivables management policies of the selected telecommunication companies are good, because the mean average calculated for the receivables management indicators ranged from 2.93 to 2.58 and this is evidence for goodness. But one indicator with the mean of 2.41 Level of firm's receivables is high had evidenced which means that the majority of the respondents have not agreed that the firm's receivable are high while the rest minority of the respondents have agreed . According to this, the selected telecommunication companies a level of firm's receivable is fair.

Inventory management indicator in table 3 C shows that most of the policies are good because their means range from 2.83. to 2.53. On the other hand, there are some policies like safe guarding, which showing of 2.50 which per se is evidence for fair

The third objective of the study was to determine the level of organizational performance accordingly; the findings revealed that the majority of the respondents have agreed that the organizational performance indicators were good. But the most important indicator viz. organization's customer care was fair

The fourth objective was to determine if there is a relationship between the level of working capital management and the level of organizational performance for the selected telecommunication firms, and the resultant correlation computed as 0.417 with a level of significance at .000 shows that there is a significant relation between the two variables. Based on this, the study reveals that the two variables are strongly correlated.

CONCLUSION

Based on the findings of the study the following conclusions are drawn:

Level of Working Capital Management in the selected telecommunication companies

According to the analysis the average mean of level of working capital management is 2.68, which showed that majority of the respondents agreed that the level of working capital management is good because the mean is in between 2.37-2.93.

Level of organizational performance

As indicated in the analysis of chapter four, the average mean of the level of 0rganisational performance of the selected telecommunication companies is 2.75, this indicated that majority of the respondents agreed that the organizational performance of the telecommunication companies is good according to the average mean which lays in between 2.98-2.41.

Working Capital Management and organizational performance in Selected telecommunication Companies in Bosaso, Somalia

This objective of the study was to establish the affects of working capital management on organizational performance for the selected telecommunication companies in Bosaso, for which it was hypothesized that there is no effect of working capital management on the organizational performance. Basing on spss results, the researcher rejected the null hypotheses. The other option is to accept the researcher, that there is a correlation between the two variables. The researcher suggested and generated the following conclusions;

If the managerial staff who are in charge of the selected telecommunication companies manage well working capital by adopting effective policies, it will lead to good organizational performance given the situation is good.

RECOMMENDATION

After the research findings the following are the recommendations:

All employees should be given training in the maintaining the inventory of the organization and control system of all telecommunication companies in Somalia and to carry out their daily work to maximize their performance.

The owners of the telecommunication should invest in the technological improvement to keep their business competitive in the market and maintain market sharing to other telecommunication companies in the market.

The telecommunication companies should maintain sales volume to the market that the telecommunication companies sharing their competitive in the market.

Owner of the telecommunication companies should work hard to satisfy the need of the customer as it may be required continuously adjustment to fulfill those needs. Employee and employers in the private telecommunication companies units in Bosaso put in place a cordial working relationship filling relationship between staff and management.

Suggested areas for the further research

There is no need to follow up in working capital management and quality of service in Telecommunication Company's further research can also be done in the working capital management and organization performance

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Golis Telecommunication Company

TO: Kampala International University

Kampala, Uganda

Date: 8/09/2012

<u>RE: Research for Abdisalam Hamud Abokor MBA |34535\113\DF</u>

In reference to your letter dated on 6th ,September, 2012, we are pleased to accept Abdisalam Hamud Abokor to conduct his research under the title " **Working Capital management and Organizational Performance in Selected Telecommunication Companies in Bosaso , Puntland, Somalia**".

Any information given by Telecommunication Companies of Bosaso to you through this research is highly confidential and should not to be missed.

We appreciate your efforts in exploring heights.

Sincerely Yours

Email: Golis Telecommunication Company@hotmail.com

GOLIS TELECOM SOMALIA
H/Q BOSASO, SOMALIA
GOLIS MARKETING DIRECTOR

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OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND MANAGEMENT SCIENCES
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

Date: 06^{th} ,September,2012

RE: REQUEST OF ABDISALAM HAMUD ABOKOR MBA/34535/113/DF TO CONDUCT RESEARCH IN YOUR ORGANIZATION

The above mentioned is a bonafide student of Kampala International University pursuing Masters of Business Administration.

He is currently conducting research entitled **"Working Capital Management and Organizational Performance in Selected Telecommunication Companies in Bosaso, Puntland, Somalia".**

Your organization has been identified as a valuable source of information pertaining to his research project. The purpose of this letter is to request you to avail him with pertinent information he may need.

Any information shared with him from your organization shall be treated with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,

Mr. Malinga Ramadhan
Head of Department,
Economics and Management Sciences, (CHDR)

NOTED BY:

Dr. Sofia Sol T. Gaite
Principal-CHDR

APPENDIX 1A

TRANSMITTAL LETTER

OFFICE OF THE DEPUTY VICE CHANCELLOR (DVC)

COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)

____

Dear Sir/Madam,

RE: INTRODUCTION LETTER TO CONDUCT RESEARCH IN YOUR INSTITUTION

Mr. Abdisalam Hamid Abokor is a bonafide student of Kampala International University pursuing a MBA in Finance and Accounting.

He is currently conducting a field research for his thesis entitled, **The working capital management and organizational performance In Selected telecommunication companies in puntland .**

Your institution has been identified as a valuable source of information pertaining to his research project. The purpose of this letter then is to request you to avail him with the pertinent information he may need.

Any data shared with him will be used for academic purposes only and shall be kept with utmost confidentiality.

Any assistance rendered to him will be highly appreciated.

Yours truly,

____

Novembrieta R. Sumil, Ph.D.

Deputy Vice Chancellor, CHDR

APPENDIX 1B
TRANSMITTAL LETTER FOR THE RESPONDENTS

Dear Sir/ Madam,

Greetings!

I am a MBA in Finance and Accounting candidate of Kampala International University. Part of the requirements for the award is a thesis. My study is entitled, **The working capital management and organizational performance In Selected telecommunication companies in puntland.** Within this context, may I request you to participate in this study by answering the questionnaires. Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

May I retrieve the questionnaire within two weeks (2)?

Thank you very much in advance.

Yours faithfully,

Mr. Abdisalam Hamid Abokor

APPENDIX II

CLEARANCE FROM ETHICS COMMITTEE

Date_______________

Candidate's Data

Name_______________________________________

Reg.# ______________________________________

Course _____________________________________

Title of Study ____

____

Ethical Review Checklist

The study reviewed considered the following:

___ Physical Safety of Human Subjects

___ Psychological Safety

___ Emotional Security

___ Privacy

___ Written Request for Author of Standardized Instrument

___ Coding of Questionnaires/Anonymity/Confidentiality

___ Permission to Conduct the Study

___ Informed Consent

___ Citations/Authors Recognized

Results of Ethical Review

___ Approved

___ Conditional (to provide the Ethics Committee with corrections)

___ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____________________________

Members _____________________________

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research study of Mr. Abdisalam Hamid Abokor and that will focus on working capital management and organizational performance.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials:_______________________________

Date________________________________

APPENDIX IV

Table

Computation of Content Validity

Judges	**number** of **items** declared **valid** ÷	**Total no. of items** =	**Inter-judge individual coefficient validity**
1st Judge	38	44	.86
2nd Judge	41	44	.93
3rd Judge	42	44	.95
Total inter-judge individual coefficient of validity---------------2.74			

Therefore, average CVI = $\frac{\text{Total inter-judge individual coefficient of validity}}{\text{Total number of judges}} = \frac{2.74}{3.00}$

CVI -------------------- = = **0.91**

For the instrument to be accepted as valid, the average index should be 0.7 or above. Therefore, since CVI is 0.91 then the instrument used in this study is valid. Reliability is the degree to which an instrument consistently measures whatever it is measuring. An instrument is reliable if it produces the same results whenever it is repeatedly used to measure trait or concept from the same respondents even by other researchers. To ensure reliability, the two instruments were pre-tested by administering them to 14 respondents in telecommunication companies. Reliability of the data collected was tested using the Cronbach's coefficient alpha (α), computed using SPSS.

APPENDIX V

Table

Computation of Reliability

Cronbach's alpha coefficients for Reliability of Instruments

Construct	**Number of Items**	**Cronbach's alpha**
1. Working capital management		
1A. cash management	3	0.879
1B. receivable management	3	0.911
1C. inventory management	4	0.823
2. Organizational performance	4	0.891

Results in table 3 indicate that the instrument had a high degree of reliability, with all Cronbach's alphas for all items greater than 0.8, which is the minimum Cronbach's alpha required to declare the instrument reliable.

APPENDIX IVA

FACE SHEET: PROFILE OF THE RESPONDENTS

Gender (Please Tick): ___ (1) Male ___ (2) Female

Age (Please Specify):

(1) 20-39 years ____________________

(2) 40-59 years ____________________

(3) 60 and above years

Qualifications Under Education Discipline (Please Specify):

(1) Secondary____________________

(2) Diploma ____________________

(3) Bachelors ____________________

(4) Masters ____________________

(5) Ph.D. ____________________

Number of Years Working Experience (Please Tick):

____ (1) less than/Below one year

____ (2) 1- 2 yrs

____ (3) 3 - 4yrs

____ (4) 5 – 6 yrs

____ (5) 7 years and above

APPENDIX VI A

PARTB: working capital management QUESTIONNAIRE

Please respond to each item by using the scoring guide below. Kindly write your best choice in the space before each item. Be honest about your options as there is no right or wrong answers.

Score	Response Mode	Description
4	Strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	Disagree	you disagree with some doubt
1	Strongly agree	you disagree with no doubt at all

CASH MANAGEMENT

____ 1. Your firm maintains enough number of bank accounts

____ 2. Each account is used for funds and are transferred to the State Treasures Office

____ 3. The type of payment the firm receives

__3.1 Cash

__3.2 Check

__3.3 Credit card

____ 4. The firm handles returned checks

____ 5. Cash entries are directly to the General Ledger (i.e. Cash Receipt or Non-accounts Receivable Cash)

____ 6. Your firm allows internal netting of outstanding Accounts Payable and outstanding Accounts Receivable Items?

____ 7. The firm's Deposit doesn't float

____ 8. The firm invests the excess cash in marketable securities to draw profit

_____ 9. The firm's cash flow regularly and predictably

_____ 10. The firm provides cash from

__10.1 Spontaneous sources

__10.2 Negotiated sources

RECEIVABLES MANAGEMENT

____ 11. There is a reception of deposits or prepayments

_____ 12. Efforts of your firm is focused on tracking and recording relationship of customers

_____ 13. Level of the firm's efforts on studying and sorting customers' credit worthiness is very good

_____ 14. The firm sends customer statements to the concerned customers

_____ 15. Revenue, receivable, freight and tax accounts configured for each invoice

_____ 16. Collectors actively call customers on delinquent items

_____ 17 . Level of bad debts in your organization is very low

_____ 18. There are little returned invoices

_____ 19. Level of firm's receivables is high

___9.1 High interest rates

___9.2 Recession

__ 20. Your firm analyzes the variance in collection (actual collection period against standard)

____ 21. The firm has little slow-paying customers

____ 22. The firm sells to customers on:

INVENTORY MANAGEMENT

___ 23. Item classification in the firm is raw materials, work in process, finished goods, and services

___ 24. Your firm uses multiple units of measures for the same item-for buying, storing and selling

___ 25. The inspection of goods takes place before unloading

___ 26. Inspection results are given after the storage

___ 27. Receiving, recording, and storing responsibilities are properly segregated

___ 28 . Firm's management takes appropriate steps to safeguard goods against the risk of loss

___ 29 . Departments compare quantities received against reports

___ 30. Materials are released from storerooms only on the basis of requisition which are approved by a responsible official of the department

___ 31. There is in-built system software of placing order as the computer notices that the recorder point is reached

___ 32. Adequate provision made for obsolete and inactive items in inventories

Part C: ORGANISATIONAL PERFORMANCE QUESTIONNAIRE

Direction: Please respond to each item by using the scoring guide below. Kindly write your best choice in the space before each item. Be honest about your options as there is no right or wrong answers.

Direction: Please respond to each item by using the scoring guide below. Kindly write your best choice in the space before each item. Be honest about your options as there is no right or wrong answers.

Score	Response Mode	Description
4	strongly agree	you agree with no doubt at all
3	Agree	you agree with some doubt
2	disagree	you disagree with some doubt
1	strongly disagree	you disagree with no doubt at all

Profit

_______33 . Gross profits in your organization are high compared to other players in the market.

______ 34 . Net profits in your organization are high after deducting taxes and interest after taxes.

Sales

_______ 35 . Sales in your organization are high compared to other players in the market.

_______ 36. Monthly sales in your organization are increasing compared to other players in the market.

Market share

_______ 37. Market share of your organization is big compared to other players in the market.

_______38. Your market share is increasing in terms of improved product attributes, consumer friendly prices among others.

Earning per share

_______ 39. Earnings per share in your organization are high compared To other players in the market

_______ 40. Earnings per share in your organization are set to be increasing considering in future

Customer care

_______ 41. Customer care in your organization is good in terms of prompt solving consumer complaints.

_______ 42. Customer care in your organization is good in terms of abiding by warranties given to consumers.

_______ 43. Customer care in your organization is good in terms of product channel of distribution management.

_______ 44. Customer care in your organization is good in terms of keeping customers informed, offering value for money and offering after sales service.

Thank you for your cooperation

RESEARCHER'S CURRICULUM VITAE

To document the details of the researcher, his competency in writing a research and to recognize his efforts and qualifications, this part of the research report is thus meant.

Personal Profile

Name: Abdisalam Hamid Abokor

Gender: Male

Nationality: Somali

Educational Background

Bachelor of Business Administration in University of East Africa (2010)

Candidate of Master of Finance and Accounting (K.I.U) (2012)

Work Experiences

2006 –2008 accountant Almanar secondary school

2008 –2009 accountant Tayo General Trading Company

2009 –2010 budget officer ministry finance of puntland

Languages

Somali (as Mother Tongue)

English

Arabic