THE IMPACT OF INVENTORY MANAGEMENT ON THE BUSINESS PERFORMANCE. A CASE STUDY OF SEROMA LTD UGANDA

BY

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DECLARATION

I Mwesigye Stephen do hereby declare that the information given in this proposal is entirely my own original work except where acknowledge end that it has not been submitted before to any other University or Institution of higher learning for award of any degree.

Signed ....

Date ....22ⁿᵈ / MAY / 2015........................

APPROVAL

This is to certify that the research of Mwesigye Stephen is under my supervision and is now ready for submission to the school of Business and Management of Kampala International University for the award of Bachelors Degree in Supplies and Procurement Management.

Signature .... Date...20/05/2015...

Dr. Kinyata Stanley
(Supervisor)

DEDICATION

This dissertation is dedicated to my beloved parents Mr. Elia Rutabyama and Mrs. Elina Rutabyama for their parental care, financial support, encouragement and advice and to my dear Brothers and sisters for the patience they accorded to me when I was pre-occupied with this work.

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I am grateful to my supervisor Dr. Kinyata Stanley for the inspiration, guidance, encouragement rendered to me during this research. In a special way, I also thank my brothers and sisters; Ruth, Moses and friends, and all those I have not mentioned for the support and endless prayers during those rocky times.

Last but not least, to the entire college of Economics and Management at Kampala International University for the patience and tolerance during the time I was busy putting together this piece of work. May God bless and reward them abundantly.

ABSTRACT

The study was carried out to evaluate on the impact of inventory management on the business performance and the researcher used Seroma Ltd Uganda as a case study. The research set the objectives which he based on to draft the questionnaire. The objectives were intended to; establish strategies that purchasing entities can adopt in managing inventory, investigate the challenges encountered in inventory management in Seroma Ltd and to explore the effects of inventory in business performance.

In chapter two, the related literature was reviewed which was inline with the objectives and research questions. Chapter three focused on the research design, study population, sampling techniques and size that is sampling method and sample size data collection methods and instruments, data analysis and limitations of the study. The researcher had a total population of 70 people from whom only 60 were chosen. Chapter four of this research had the presentation, interpretation and analysis of findings. The data was presented in form of tables, and graphs. The researcher followed the questionnaire from the demographic characteristics of the respondents and then the objectives of the study. As per the demographic characteristics of the respondents, majority were men compared to women. It was implied that male contribute more on the impact of inventory management on the business performance compared to women who were few and they have therefore realized the impact of inventory management. The age bracket of 38-48 had majority of the respondents because they were considered to work harder than those within the age bracket of 18-27 and those who were above 49 years. In reference to the researchers findings on contribution of inventory management to the performance business, 53% of the total respondents who were the majority seemed to be a ware that inventory management contribute more on the performance business. Chapter five contained the summary of the findings and discussions of findings about the research. The researcher summarized that inventory management contribute much one the performance of a business in Seroma Ltd Uganda. It also contained conclusions and recommendations where the researcher recommended that Seroma Limited Uganda should forecast market for its products so that it stocks enough inventories to avoid under stocks and reduce on damaged inventory. He went ahead and recommend that the company should also need to fix the stock levels that is, maximum, minimum, and reorder levels for all items in stock in order to avoid inadequate stocks or stock outs suffered by the company. Stock levels will help in guiding the time and period of replenishment that will avoid stock outs.

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter looks at the background of the study, statement of the problem, purpose of the study, specific objectives, research questions, scope of the study, significance of the study, and the conceptual frame work.

1.1 Background of the study

In dictionary meaning of inventory is a detailed list of goods, furniture etc. Many understand the word inventory, as a stock of goods, but the generally accepted meaning of the word 'goods' in the accounting language, is the stock of finished goods only. In a manufacturing organization, however, in addition to the stock of finished goods, there will be stock of partly finished goods, raw materials and stores. The collective name of these entire items is 'inventory. The term 'inventory' refers to the stockpile of production a firm is offering for sale and the components that make up the production.

According to Gordon D 2001 Carson inventory management is the process whereby investment in materials and parts carried in stock is regulated with in predetermined limits set in accordance with inventory policies established by management. These policies are important enough that production, marketing and financial managers work together to reach agreement on this policies. The conflicting views concerning inventory policies underscore the balance that must be struck among conflicting goals- reduce production costs, reduce inventory investment and increase customer responsiveness. The objective of inventory management has been to keep enough inventories to meet customer demand and also be cost effective. However, inventory has not always been perceived as an area to control costs. Traditionally, companies maintained inventory levels to meet long term customer demand because there were few competitors and products in a generally sheltered market environment. In the current international business environment with more competitors and highly diverse market in which new products and new product features are rapidly and continually introduced, the cost of inventory has increased. At the same time companies are continually seeking to reduce costs so that they can provide a better product at a lower price and this makes inventory an obvious issue for cost reduction.

1

Inventories occupy the most strategic position in the structure of working capital of most business enterprises. It constitutes the largest component of current asset in most business enterprises. The turnover of working capital is largely governed by the turnover of inventory. It is therefore quite natural that inventory which helps in maximize profit occupies the most significant place among current assets. (Robert E Markland et al 1995)

Organizational performance is an indicator which measures how well an enterprise achieves their objectives. Levy (1997) defined organizational performance in terms of how well an organization accomplishes its objectives. It point out that performance refers to the quality and quantity of individual or group work achievement. Two ways to assess OP: organizational performance and market performance. However, look at organizational performance from the perspective of SCM organizational performance.

Organization performance refers to how well an organization is performing. Good performance is an indicator of success and development of all organizations. Today best practices evaluate organizational performance in terms of financial results, Products innovations, customer loyalty and people performance helps ensure organizational goals are being achieved Armstrong (1987) Performance is a major concern to all organizations. It's the level at which an organization is placed in a particular industry various measures are used to measure it, ranging from gross sales, profit, market share ,competitive advantage and customer rating. Performance of an industry in an economy could best be measured in terms of time taken to finish and costs incurred in relation to the original planned project duration and financial budget Ubeku (1983).

Koh et al. (2007) rightly pointed out that although organizational performance is measured by both financial and market criteria, the short-term objectives of inventory management are to enhance productivity and reduce inventory and lead time. Tippins and Sohi (2003) propose organizational performance measures on four dimensions: relative profitability, return on investment, customer retention, and total sales growth. Based on the above literature, we focus on five dimensions of organizational performance including sales growth, lead time, cost reduction, quality improvement and return on investment.

2

Richard Chase et al (1995) argue that tracking goods is an arduous task if it is done manually. A good inventory management system offers historical and real-time reporting on all goods in the inventory pipeline. Stock is generally tracked from the time your supplier ships the goods until the product is sold or used in production. Much of this process is done automatically. The systems can be programmed to routinely place orders for replacement goods at specified inventory thresholds. These calculations are often complex and include factors such as discount levels, shipping overhead, estimated delivery times and usage speed. Minimizing the amount of manual work required in moving, counting and tracking inventory can be automated through an inventory management system.. The system can be programmed to perform inventory shelving and sales fulfillment tasks. Automation makes it easier to maintain longer hours, fulfill product request quickly and increase accuracy.

1.2 Problem Statement

Inventories in organisations represent a significant aspect that tracks and determine the performance of organisations. Companies are conducting an extensive supply chain and therefore hold a reasonable amount of inventory, given the importance of inventory management organisations need to comprehend its operation in order to arrive and excellence in operation. Inventory Control is adopted by management of organizations to assist in achieving the overall organizations objectives of ensuring optimal utilization of resources.

Despite these, inventory management is faced with several challenges such the appropriateness of the techniques, the cost and limited human resource plus capital to practically employ the inventory management systems. Seroma Ltd Uganda a business of study holds a range of inventory requirements, Ineffective inventory management results at Seroma Ltd Uganda result into stock outs, overstocking, inaccurate stock figures, lack of accountability of shelf staff, losses of merchandise, among others. It is therefore the researcher's interest to conduct a study at Seroma Ltd Uganda in order to establish the status quo and provide mechanisms for improved management of inventory for enhanced performance.

1.3 Purpose of the study

The purpose of the study was to investigate the effect of inventory management on the business performance, A Case study of Seroma Ltd Uganda.

1.4 Objectives of the study

General Objective

To find out the influence of inventory management on the business performance in Seroma Ltd Uganda.

1.4 Specific Objectives

i.   To establish strategies that purchasing entities can adopt in managing inventory

ii. To investigate the challenges encountered in inventory management in Seroma Ltd Uganda

iii. To explore the effects of inventory in business performance.

1.5 Research questions.

i.   Which strategies that purchasing entities can adopt in managing inventory?

ii. What are the challenges encountered in inventory management in business?

iii. What is the effect of inventory on performance of business?

1.6 Scope of the study.

1.6.1 Time scope.

The research was carried out for the period of three months from March to May 2015. This time period was chosen because it provided ample time for collecting the study requirements.

1.6.2 Geographical scope.

The research was confined to Seroma Ltd Uganda located in Ntinda, Kampala Uganda due to a range of activities handled by the business in line with inventory management and its accessibility by the researcher.

1.6.3 Content scope

In this case study, the researcher focused on Inventory Management in terms of Control aspects such as challenges associated with inventories, strategies of inventory management. It also explored how it contributes to quality, efficiency, cost reduction and profit rationalisation in performance of organisations

1.7 Significance of the study

The study will explore the challenges associated with inventory management in organisations in order to advance mechanisms that can improve the management of inventory in organisations.

The study will provide measures which will help in guiding adopting inventory management techniques for performance of organisations in Uganda.

The study will help the researcher to fulfilment of the requirement for the award of Bachelors of supplies and procurement management of Kampala international university,

The selected organisation will be helped to come up with inventory methods which are cheap and flexible and also improve on the one in existence including other academic researchers in use the data collected to come up with better aspects of managing the records in organisations.

1.8 Conceptual framework.

Independent variable

Inventory management
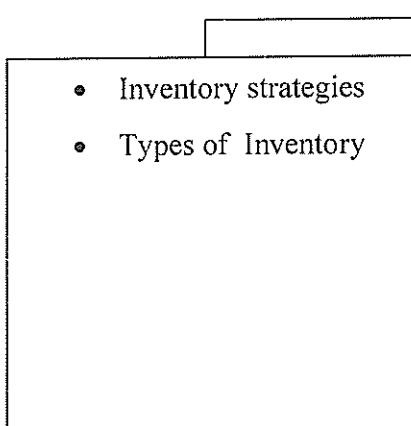
Dependent variable

Organisational Performance.

Inventory management	Organisational Performance
• Inventory strategies • Types of Inventory	• Increased sales • Increased profits • Availability of goods • Low levels spoilt inventory • Customer satisfaction. • Distribution efficiency

Intervening variables

- • Organisational policy
- • Purchasing policies
- • Legal requirement
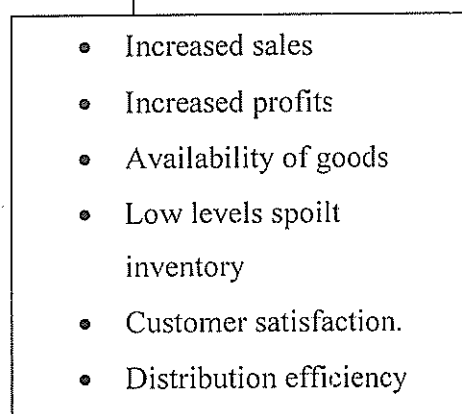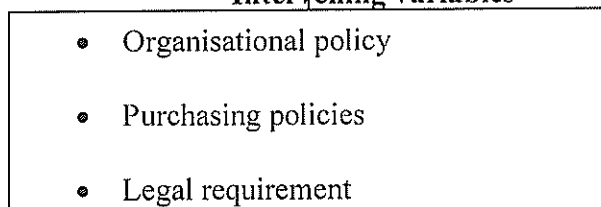
Source: Researcher 2015

5

The conceptual framework stipulates clearly the linkage between the independent and dependent variable in this case the framework shows inventory management as a an independent variable and performance as dependent variable affected by the intervening variables on the other side.

The effective management of inventory translated into positive dependent variable indicator thus the application of improved techniques will transform and uplift performance through increased sales, increased productivity, customer satisfaction, and distribution efficiency, low levels of spoilt inventory and availability of goods.

Failure to have efficient inventory programs will lead to reduction of the above indicators of performance. The prevalence of the intervening variables (factors outside the main variables) which positively or negatively affect business performance. Factors like organisational policy, legal framework and purchasing policies much affect the application of inventory management that affects business performance under study.

Achieving the performance role requires reduction in inventory levels throughout the production process, reducing amounts of raw materials and purchased parts and assembling by having suppliers deliver them directly, reducing the amount of work in progress by using just in time production and reducing the amount of finished goods by shipping to markets as quickly as possible. Thus the mechanisms of inventory management directly impact on the organizational performance in parameters like productivity and customer satisfaction among others hence the justification for this research.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Literature review involves looking at what other authors and scholars have written about a subject .it is the secondary analysis of available information that has already been published by other authors.

2.1.1 Overview of the variables

Inventory management refers to a planned method of purchasing and storing the materials at the lowest possible cost without affecting the production and distribution schedule while inventory refers to a stock of items or a resource used in an organisation.

Inventories which comprise of raw materials, consumable stores, machinery and equipment ,general stores, work in progress and finished goods are purchased and stored. N.A salami (1996) points out that inventory management is a scientific method of determining what, when, and how much to purchase and how much to have in stock for a given period of time

Management of any institution, in manufacturing or service sector has a responsibility to come up with policies minimising operation costs to the organisation, such policies can make significant contribution to procurement efficiency. According to Harold E Fearon et al(1993) it is important in making inventory or purchase order size decision to understand why inventories exists and what the relevant tradeoffs are in making different lot sizing and inventory quantity decisions. He continues to say that inventory management is complicated by the rapidly changing environment within which inventory and purchasing planning is carried out. Inventories always seem too large of the wrong time, wrong place. With the changing economic conditions, what is too little in one period may easily become too much in the next period

Because of the high costs of carrying inventory many systems have been developed. The development of operations research models first addressed the business and industry problems after successful application in military problems. It was not until the 1960s that the experts' turned their attention to non industrial problems in banking, finance, health, education and local administration and low operations research is known to decision makers in government and

public sector undertakings little is being used and its utility is being taken for granted in social sector in developing countries and we wonder how much the part it plays in a developing country can be for granted.

2.2 Challenges encountered in inventory management in organisations

Ballou, R.(2004) assets that the major challenge that inventory managers face is maintaining a consistent flow of materials for production. There are many factors that inhibit the accuracy of inventory which results in production shortages, premium freight, and often inventory adjustments. The major issues that all materials managers face are incorrect bills of materials, inaccurate cycle counts, un-reported scrap, shipping errors, receiving errors, and production reporting errors. Inventory managers have striven to determine how to manage these issues in the business sectors of manufacturing since the beginning of the industrial revolution. Although there are no known methods that eliminate the afore mentioned inventory accuracy inhibitors, there are best methods available to eliminate the impact upon maintaining an interrupted flow of materials for production.

Dobler (1996) asserts that one challenge for inventory management is managers to provide timely releases to the supply base. On the scale of worst to best practices, sending releases via facsimile or PDF file is the worst practice and transmitting releases to the supplier based web site is the best practice. Why? The flaw in transmitting releases via facsimile or email is that they can get lost or even interpreted incorrectly into the suppliers system resulting in a stock out. The problem with transmitting EDI releases is that not all suppliers have EDI systems capable of receiving the release information. The best practice is to transmit the releases to a common supplier web base site where the suppliers can view (for free) the releases. The other advantage is that the supplier is required to use the carrier listed in the web site, must transmit an ASN (advanced shipping notification), and review the accumulative balances of the order.

Cecilya A. Raiborn 2002 argues that Training users of demand planning and inventory management software .For some people, forecasting will be an entirely new discipline. Companies that have successfully implemented inventory management software stress the importance of teaching the underlying methodologies before handing out the software. Webinars, slide shows, and classroom instruction can spread the gospel about your company's

8

new planning processes. A train-the-trainer approach is one of the quickest, least-expensive ways to make people comfortable with inventory management software. Ease of use should be high on your list of criteria when deciding among vendors, but don't ask people to take on too much at once. Let them start with basic functions and build from there.

Integrating demand planning and inventory planning .People, systems and databases must all talk to each other. A formal sales and operations planning (S&OP) strategy with support software such as dashboards can help. You might also have to create a demand and supply planning organization overseen by someone in the executive suite. Integrating specialized demand and inventory planning software together, and to related systems such as ERP, is both an opportunity and a need not adequately addressed by the industry. Vendors admit they spend significant time integrating their software into existing supply chain management (SCM) systems. Harold E. Fearon & Michiel R Leeders, 1993,

According to Laugero (2002) the unavailability cost is incurred when a desired material is not available at the desired time. In manufacturing industries, this cost is often called the stock- out or depletion cost. Shortages many delay work, thereby wasting labor resources or delaying the completion of the entire project. Again, it may be difficult to forecast in advance exactly when an item may be required or when a shipment will be received. While the project schedule gives one estimate, deviations from the schedule may occur during construction. Moreover, the cost associated with a shortage may also be difficult to assess, if the material used for one activity is not available, it may be possible to assign workers to other activities and, depending upon which activities are critical, the project may be delayed.

LaLonde (1999) argues that Dumping those old spreadsheets and paper .Inventory managers can be reluctant to give up their familiar ways. You might have to forbid the use of spreadsheets, for example, to get people to switch to new inventory management software. To ease the transition and build trust, sit down with users and demonstrate the benefits. Ironically, it might help to simulate the software in Microsoft Excel for those who have never made the transition from paper. Executive champions in the IT and business sides and easy-to-use software can also further buy-in that enables cultural change.

Cost of customer responsiveness. Larger in process inventories clog production systems. The time required tom produce and deliver customer orders is increased and a company's ability to respond to changes in customer orders diminishes and Cost of coordinating production-because larger inventories clog the production [process more people are needed to unsnar the traffic jams, solve congestion related production problems and coordinate schedules

Cost of dilute returns on investments-inventories is assets and large inventories reduce return on investments. Reduced returns on investments add to the finance costs of the firm by increasing interest rates on debts and reducing stock prices. Reduced capacity costs-inventory represents a form of waste. Materials that are ordered held and produced before they are needed waste production capacity Ellram (2002).

Cost of production problems- high in process inventories underlying production problems such as machine break downs, poor quality and material shortages never get solved. Large lot quality cost of producing large production lot results into large inventories on rear occasions, something goes wrong and a large part a production lot is defective .in such situations, small lot sizes can reduce the number of defective materials.

Companies are always looking for ways to squeeze extra expenses out of every part of the profit and loss. One of the places they squeeze is in logistics and Inventory. Warehouse management software both helps and hurts this aspect of the business. It helps by finding those extra expenses, but hurts by making it appear as if there are more and more places to squeeze.

They need to focus of the profit loss ratio of the expenses they are making and what are the benefits they are achieving from that investment. Cost benefit ratio is very much important while choosing a process and software for your business.

Ellram (2002) argues that Standardizing data .Some companies have been tripped up by having too many definitions for the same data, such as purchase orders and product categories. Standardizing data definitions is a necessary step in building an architecture that works across departments and locations. You might also need to clean up the sales and inventory data coming into the system, perhaps by reformatting legacy data or writing an application that collects the information you need and Choosing just the demand planning and inventory management

modules that suit your business .The unique nature of your demand will determine which components you need. Goods can be expensive to ship overseas and delays can squash revenue gains, so a well-honed demand planning tool updated with real-time sales numbers is essential. But if your sales typically come from large deals, inventory management software merits more attention.

2.3 Strategies that purchasing entities can adopt in managing inventory

Inventory control requires inventory planning. Inventory refers to more than the goods on hand in the retail operation, service business, or manufacturing facility. It also represents goods that must be in transit for arrival after the goods in the store or plant are sold or used. An ideal inventory control system would arrange for the arrival of new goods at the same moment the last item has been sold or used. The economic order quantity, or base orders, depends upon the amount of cash (or credit) available to invest in inventories, the number of units that qualify for a quantity discount from the manufacturer, and the amount of time goods spend in shipment. Zenz (1987)

Break down of operating inventory into the three major categories when reporting levels safety, replenishment and excess or obsolete stock. This breakdown makes it easier to make sound decisions about appropriate levels for each of these three areas. It helps determine the minimum safety stock needed to provide an insurance policy against supply chain problems either from manufacturing glitches or distribution uncertainties so that customers get what they ordered. It's useful for pinpointing the amount of inventory required to replenish deliveries every two weeks. And it helps companies find ways to avoid a backlog of excess or obsolete inventory.

According to peurifoy (2000), the purchase cost of an item is the purchase price from an external source including transportation and freight costs. For construction materials, it is common to receive discount for bulk purchases, s the unit purchase cost declines as quantity increases .These reductions may reflect manufactures marketing policies, economies of scale in the material production, or scale economies in transportation. There are also advantages in having homogeneous material. .For example a bulk order to insure the same color or size of items such as bricks may be desirable. Accordingly, it is usually desirable to make a limited of large purchases for materials. Cordell

11

Miller (2009) argues that designing a sound inventory control system is in a large measure for balancing operations. It is the focal point of many seemingly conflicting interests and considerations both short range and long range. The aim of a sound inventory control system is to secure the best balance between "too much and too little." Too much inventory carries financial rises and too little reacts adversely on continuity of productions and competitive dynamics. The real problem is not the reduction of the size of the inventory as a whole but to secure a scientifically determined balance between several items that make up the inventory. The efficiency of inventory control affects the flexibility of the firm. Insufficient procedures may result in an unbalanced inventory. Some items out of stock, other overstocked, necessitating excessive investment. These inefficiencies ultimately will have adverse effects upon profits. Turning the situation round, difference in the efficiency of the inventory.

An inventory system provides the organizational structure and the operating policies for maintaining and controlling goods to be stocked. The system is responsible for ordering and receipt of goods: timing the order placement and keeping track of what has been ordered, how much, and from whom. The system also must follow up to answer such questions as: Has the supplier received the order? Has it been shipped, Are the dates correct, Are the procedures established for reordering or returning undesirable merchandise.

Establish order cycles. If demand can be predicted for the product or if demand can be measured on a regular basis, regular ordering quantities can be setup that takes into consideration the most economic relationships among the costs of preparing an order, the aggregate shipping costs, and the economic order cost. When demand is regular, it is possible to program regular ordering levels so that stock-outs will be avoided and costs will be minimized. If it is known that every so many weeks or months a certain quantity of goods will be sold at a steady pace, then replacements should be scheduled to arrive with equal regularity. Time should be spent developing a system tailored to the needs of each business. It is useful to focus on items whose costs justify such control, recognizing that in some cases control efforts may cost more the items worth. At the same time, it is also necessary to include low return items that are critical to the overall sales effort. L.R. Howard 2009.

H.J. Wheldon 2003 A firm must recognize that if it begins to run out of product in the middle of a busy season, other sellers are also beginning to run out and are looking for more goods. The problem is compounded in that the producer may have already switched over to next season's production and so is not interested in (or probably even capable of) filling any further orders for the current selling season. Production resources are likely to already be allocated to filling orders for the next selling season. Changes in this momentum would be extremely costly for both the supplier and the customer. On the other hand, because suppliers have problems with inventory control, just as sellers do, they may be interested in making deals to induce customers to purchase inventories off-season, usually at substantial savings. They want to shift the carrying costs of purchase and storage from the seller to the buyer. Lysons (2006)

Martin (2009) contend that an Efficient or inefficient management of merchandise inventory by a firm is a major factor between healthy profits and operating at a loss. There are both market-related and budget-related issues that must be dealt with in terms of coming up with an ideal inventory balance: Is the inventory correct for the market being served, Does the inventory have the proper turnover and What is the ideal inventory for a typical retailer or wholesaler in this business.

Review Stocks .Items sitting on the shelf as obsolete inventory are simply dead capital. Keeping inventory up to date and devoid of obsolete merchandise is another critical aspect of good inventory control. This is particularly important with style merchandise, but it is important with any merchandise that is turning at a lower rate than the average stock turns for that particular business. One of the important principles newer sellers frequently find difficult is the need to mark down merchandise that is not moving well. Lysons (2006)

Markups are usually highest when a new style first comes out. As the style fades, efficient sellers gradually begin to mark it down to avoid being stuck with large inventories, thus keeping inventory capital working. They will begin to mark down their inventory, take less gross margin, and return the funds to working capital rather than have their investment stand on the shelves as obsolete merchandise. Markdowns are an important part of the working capital cycle.

Sundersan (2003) contend that Improving circulation infrastructure. Redundancy can be reduced and effectiveness is increased when service points are clustered to reduce the amount of

13

redundancy. An effective materials management program can also resolve "island" approaches to shipping, receiving, and vehicle movement. Solutions can include creating a new central loading location, as well consolidating service areas and docks from separate buildings into one. Developing better campus circulation infrastructure also means re-evaluating truck delivery and service vehicle routes.

Quayle M. (2002) asserts that the use of inventory policies. a company's inventory holding policy is usually implemented by a series of rules that determine how and when certain decisions concerning the holding of inventory should be made. These series of rules are known as inventory policy. Inventory policies define actions to be taken under three different situations which are: when and how replenishment orders are placed usually made in form of time basis or on inventory level. What size of the replenishment order is placed either fixed or variable, What action is taken when a stock out occurs, the policies are sub-divided into three namely, the re-order level policy, the re-order level policy with periodic review and the re-order cycle policy.

Aquilano (1995) argues that Economic order quantity (EOQ).This is the size of an order that minimize the total inventory cost, it is the quantity that will be ordered which will not be too much to tie the capital down in excessive materials and will also not be too low in such a way that one will be buying frequently. Ordering less than EOQ will result to frequent. Also ordering that will definitely increase cost while ordering above EOQ will result to capital being tied down it therefore becomes necessary for each company to determine the EOQ for most or its most important costly inventory items once this is determined, it becomes the quantity to be ordered each time the policy allows the company to order.

Abc analysis (parato curve).This provides a sound basis on which to allocate funds and personnel time with respect to refinement of control over the individual inventory items. Each inventory item is being stocked in terms of its price usage (demand) and lead time as well as its attendant specific procurement or technical problems the inventories are classified into A, B and C with the A class getting the greatest attention. This is because the A class is high value items with the greatest percentage of naira value that is spent inventory items this is followed by B class and the C class recording the least percentage of naira valve that is spent on inventory items. The inventory value is got by multiplying the annual demand by the units cost. It inventory levels can

be reduced for class A items there will be a significant reduction in inventory investment. Roberta et al, (2003)

Specification and standardization. Specification is detailed description of the materials. Part and components that are use in making a product. It ensures that less costly type of materials that can serve the purpose for which it is needed effectively are used.

Standardization is the process of establishing agreement upon uniform identification for various characteristics of quality, design, performance quantity and service. The use of standards permits firms to purchase fewer items in large quantities and at lower prices. The therefore means that purchase of standardized materials saves money via low prices, lower processing cost and lower inventory cost.

Rationalization and variety reduction. The part of an inventory material can be rationalized or reduced. For example, the length of a ceiling fan rod can be reduced and yet it performs the same function as when it is not reduced. In the same vein, a variety of materials serving a common purpose can be reduced in number to save cost. In this way the number of inventory items to be controlled are reduced as well as saving in personnel time and also making more space available for more important items.

Inventory flow cycle. Inventory control involves the controlling of this rate of materials flow into and out of a system. According to Richard Tersine (1982) "inventory flow cycle is a vital part of the operational processes that satisfy. Customer demand. The driving force behind the inventory flow cycle is the demand" to finished goods when then flow is regulated an organization can then function effectively in the initial state, materials and supplies are procured from vendors. This forms the first poor of inventory investment that must be managed and controlled. This variety and quantity of items purchase are timed so that they can meet the demand for their utilization by the organization as these materials are released to manufacturing, they join the in – process goods inventory that must be managed in relation to the capacity of the facility. These items on leaving the in – process goods category, enter the finished goods that must be also regulated with relation to external demand.

15

Proper monitoring and evaluation of the inventory flow cycle demands that all the inventory categories must be synchronized as per the rate of flow of material into and out f it, no particular category can be controlled without respect to the others. It should equally be noted that although different organizations may have fewer or more categories to control, the flow cycle is still remarkable similar. Like we have previously said, inventory control does not concern only raw materials but also applies to in process goods and finished goods. The flow shows how various departments takes charge of inventories at their various stages. The effective and full control of the above cycle also requires the recognition of the four common components properties that are attached to inventory. This includes demand, replenishment, constraints and cost properties.

Hopal (2009 Argues that Turnover averages are available for virtually any industry or business maintaining inventories and having sales. These figures act as an efficient and effective benchmark with which to compare the business in question, in order to determine its effectiveness relative to its capital investment. Too frequent inventory turns can be as great a potential problem as too few.

Follow-up and Control. Periodic reviews of the inventory to detect slow-moving or obsolete stock and to identify fast sellers are essential for proper inventory management. Taking regular and periodic inventories must be more than just totalling the costs. Any clerk can do the work of recording an inventory. However, it is the responsibility of key management to study the figures and review the items themselves in order to make correct decisions about the disposal, replacement, or discontinuance of different segments of the inventory base.

Miller (2009) Inventory quantities must be organized and measured carefully. Minimum stocks must be assured to prevent stock-outs or the lack of product. At the same time, they must be balanced against excessive inventory because of carrying costs. In larger retail organizations and in many manufacturing operations, purchasing has evolved as a distinct new and separate phase of management to achieve the dual objective of higher turnover and lower investment. If this type of strategy is to be utilized, however, extremely careful attention and constant review must be built into the management system in order to avoid getting caught short by unexpected changes in the larger business environment.

16

The cyclical ordering system. This system can simply be referred to as a periodic inventory control system. This is because it orders inventory materials on a time cycle basis which involving scheduled periodic reviews of the inventory levels of all inventory items. The intervals may be one month, three months or one year. Review frequency varies from firm to firm and among materials within the same firm depending upon the importance of the material specific production schedules and market conditions. This system is well suited for materials whose purchases must be planned months in advance because of established and infrequent production schedules maintained by the suppliers. Weele J. A. (2005),

2.4 Effects of inventory management in organisational performance

Inventory management has a serious impact on organisational performance especially those in the manufacturing sector. The relationship between inventory management and organizational performance can be seen from various indicators that point to whether the organization is doing well or not this is discussed as follow.

According to Lynch (2005), the main objective of inventory management is to minimize the total cost of relevant costs to ensure profitable operations. Because of value attributed to inventory management, two cardinal decisions must be faced if the inventory management is; how much we buy at a time When we buy (or manufacture).

According to Pandey (1995), in many cases where inventory management decisions have been effective, inventory planning models have been effective; inventory- planning models have been developed and implemented focusing especially on the twin problems of inventory size and timing. Usually inventory management modes are defined to achieve a balance between the costs of acquiring and holding inventory. These costs are the ones that affect organizations profitability. These models are developed in order to help management maintain inventories of optimal level that will help the organization to realize profits. To be specific, the objective of inventory management models is to maintain adequate inventory levels of minimum inventory costs. They specify the economic order quantity and re-order point and if well observed, companies earn profits (Morse, 1981)

Economic order quality is the quality of inventory that should be ordered at once. They further noted that, the quantity of inventory ordered at once affects inventory ordering and holding costs

17

and will ultimately have a bearing on profitability. For instance, if a few large orders are placed, annual ordering costs will be low, but annual holding costs will be high (Hanger, 1982).

Conversely, if many small orders are placed over all ordering costs will be high but annual holding costs will be low. To be profitable, it is necessary to determine it increasing the order size to obtain large volume discounts and slightly lowering costs will be more off- set at a higher holding cost. The scholars agreed that profitability would only be achieved at optimum level of relevant costs i.e. holding costs and ordering costs Newbery. (2007),

According to Pandey (1995), this is the level of which an order for additional inventory should be placed, because inventory cannot be ordered and received instantly. Orders for additional inventories should be placed before current stocks are depleted. The re-order point must consider both the lead time required to replenish stocks after on order is placed and inventory demand during the lead time.

Newbery, K. Mayer, C. (2007) agreed with other scholars and further observed that, because of the variation in lead-time and the daily demand for inventory, inventories are cushions to prevent "Stock out" and the resulting loss of sales or disruption of production.

As already noted above, in a merchandising establishment, stock out costs includes the extra costs of processing back orders and opportunity cost of lost sales is frequently specified as the selling price less the invoice price, opportunity costs are considered greater if dissatisfied customers subsequently patronize other establishments. In this case, the profitability of an organization remains fragile if no proper controls are considered .greater it dissatisfied customers subsequently patronize other establishments. In this case, the profitability of an organization remains fragile if no proper controls are ensured Quayle M. (2002),

Excessive inventories are the enemy of retail profitability. For inventory management to be an effective profitability improvement tool, corporate culture must ensure that employees are empowered to make it successful (Laugero, 2002). Organizations like black and Decker fully realize the relationship between inventory production and profit. This is an international Corporation, with annual sales in excess of and 1 billion. It is the world's largest manufacturer of power tools, and because of large required investment in inventory and the total cost associated with such, managers are alert for ways to control inventory Nyanga, (2000). That inventory

18

management is an important area of financial control, which is often, neglected not knowing that a small percentage saving on inventory costs will represent millions of shillings on natural scale. All stocks represents on investment so they should keep to an absolute minimum.

Nyanga (2000) say that in any efficient business material levels are established with as much care as production levels, a careless choice of the material level can easily precipitate production slow down caused by lack of badly needed materials. He continues that as a result of tighter controls over materials , items and meticulous records keeping, the cost of maintaining adequate levels of materials is reduced with adverse effects on the continuity of operations.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter included the methods that the researcher applied while collecting and conducting the research and these took account of the following: research design, study population, sampling methods, and sample size, data collection methods, data analysis among others.

3.1 Research design

The researcher adopted an analytical research design where, survey method was used where the researcher collected data by the use of questionnaires and interviews. Both quantitative and qualitative data collection approaches were applied. The qualitative approach enabled the researcher to obtain data from key informants that was the respondents. This is because the study required an investigation on the extent at which inventory management contributes to performance of organizations.

3.2 Population of the study

The target population of study included the employees of Seroma Uganda Ltd from the departments of procurement, stores and transportation, this was 70 people chosen from the categories motioned above and was the population from which the researcher selected the respondents.

3.3 Sample size

Sample population of 60 people was selected from the research population of 70 respondents. Slovene's Formula was used to come up with appropriate sample size to be use in the study. Slovene's Formula states that, given a population, the minimum Sample size is given.

The sample size was calculated mathematically using the formula below;

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

Where; n = the sample size

N = total population of respondents, that is 70.

e = the level of significance, that is 0.05

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

$$n = \frac{70}{1 + 70(0.05)}$$

$$n = \frac{70}{1 + 70 * 0.0025}$$

$$n = \frac{70}{1.1775}$$

$$n = 59.5$$

$$n = 60$$

A sample size of 60 respondents was selected to participate in the study.

3.3.2 Sampling procedure

The researcher used simple random sampling to give equal chance to the respondents. In stratified sampling that the researcher divided the population into sub populations. Then the selected simple random sample independently from each Sub – population and these were perceived to have information suitable for the study.

3.4 Data collection tools

This section introduced the methods /tools procedures of how data was collected from the field by the researcher. The study applied questionnaires, interview guides and observation guides as the main data collection instruments. The questionnaires and interview guides were sectioned as bio-data.

3.4. 1 Questionnaires

These are inter-related questions designed by the researcher and given to the respondents in order to fill in data/information. Here, self-administered questionnaires were employed containing both open and close-ended questions. This reduced costs of movement and also because the researcher dealt with literate people who had the capacity of filling the forms.

3.4.2 Interviews

The researcher conducted face-to-face interactions with the interviewee and himself with the sole aim of soliciting data. The researcher used both formal and informal interviews with the respondents. This enabled the researcher to get more information in greater depth, reduce resistance and obtain personal information and views.

3.5 Data Analysis

Data was first edited after data collection with a view of checking for any errors omissions, completeness, uniformity, consistency, legibility and accuracy so as to draw meaning from the computer electrical data collected. Then after this information was coded and tabulated using excel in tables and graphs.

3.6 Validity and reliability of study

3.6.1 Validity

To ensure validity study, the researcher applied the technique by using interviews, questionnaires and secondary data analysis concurrently and this was done through piloting of the data collection instruments used to collect data.

3. 6.2 Reliability

In order to collect reliable data, the researcher designed the interviews and questionnaires through an elaborate procedure which involved a series of revisions under the guidance of the study supervisors to ensure that fieldwork was conducted by use of high quality data collection. Also quotes from interview and statement from questionnaires were used as references to ensure reliability. The Researcher used checklist of questions when making personal interviews with respondents so as to achieve data consistency and completeness

3.7 Ethical consideration

Information was attained on freewill without compulsion or forcing of respondents

Ethical consideration deals with ones behaviors and relationship with particular people or group and it guides a researcher on what should be done. During the data collection, the researcher will require the consent of the respondents to participate in the study willingly before it starts.

Maintaining the privacy and confidentiality of the respondents that is to say keep their personal issues private and non disclosure of response from particular respondents to maintain integrity and also protect them from potential victimization

3.8 Anticipated Limitations and Solutions

The researcher bumped into some limitations or challenges while conducting the study, and among them included the following:

One more limitation was reluctance of the respondents to fill up and return questionnaires, nevertheless the researcher provided the respondents with sufficient time and also remind them to fill and return the questionnaires.

CHAPTER FOUR

PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS

4.0 Introduction

The data is presented and interpreted in view of the topic examining the effect of inventory management on performance of organizations based on the objectives stipulated in chapter one of this study. The focus was on 60 respondents who included the selected procurement, stores and transportation. The interpretation also sought to answer the research questions that were raised in chapter one. Presentation and interpretation of data in this chapter has been done with the aid of quantitative and qualitative methods. Quantitative methods involved the use of tables, graphs, percentages and personal analysis and interpretation presented in essay form.

4.1 Respondents Gender

Table (1): Showing Gender respondents

Respondents	Frequency	Percentage
Male	38	63.3
Female	22	36.7
Total	60	100

Source: primary data

From table 1, it can be seen that the majority of respondents are male that is (36) representing 63.3% of the total number of respondents, 22 respondents are female representing 36.7% of the respondents. This is an indication that gender sensitivity was taken care off so the findings therefore cannot be doubted on gender grounds; they can be relied for decision making. It further indicates that the researcher sought for information from both genders that means that the aspect of inventory management is involved by both men and women.

Figure 1: Showing age distribution of respondents

Source: primary data

Figure1 above shows that, majority of respondents were aged between 40-50years ,27 respondents followed ,by 30 -40 years represented by 15 respondents, followed by 48+ represented by 10 respondents and above 20-30 represented by 8. From the above analysis, it can be construed that majority of the respondents are mature hence the information obtained from them can be trusted and looked at as true and good representation of the information the researcher was looking for

4.1.2 Age distribution of respondents

Figure 1: Showing age distribution of respondents
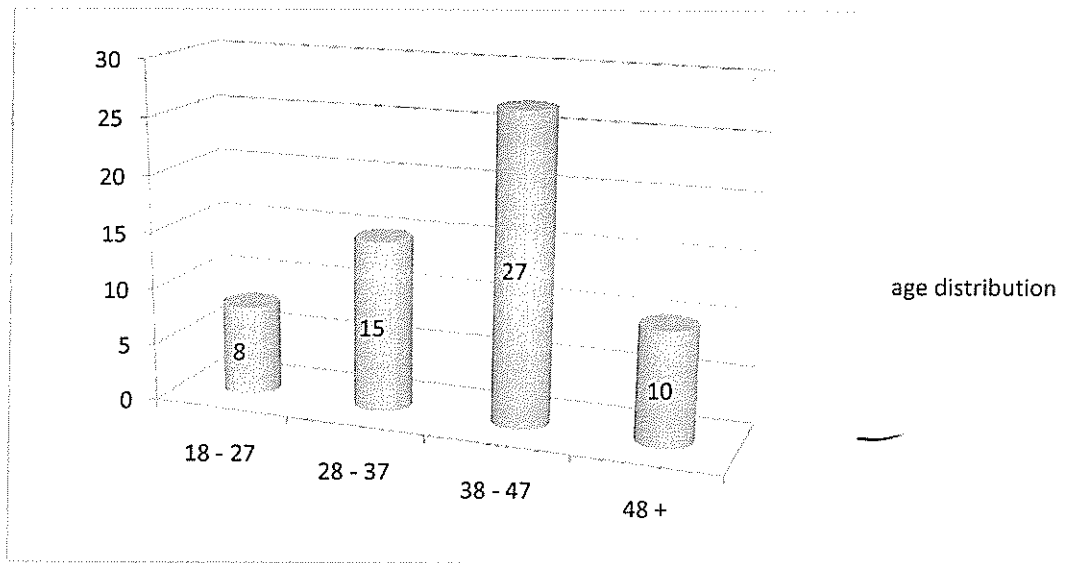
Source: primary data

Figure1 above shows that, majority of respondents were aged between 40-50years ,27 respondents followed ,by 30 -40 years represented by 15 respondents, followed by 48+ represented by 10 respondents and above 20-30 represented by 8. From the above analysis, it can be construed that majority of the respondents are mature hence the information obtained from them can be trusted and looked at as true and good representation of the information the researcher was looking for

4.1.4 Academic Qualifications of respondents

Table 2: Showing academic qualifications of the respondents

Academic qualifications	Frequency	Percentage
Certificate	4	6.7
Diploma	9	15
Degree	29	48.3
Masters	8	13.3
Others	10	16.7
Total	**60**	**100**

Source: Primary data

Results in table 3 indicate that majority of the respondents were 20 for degree holders representing 48.3% followed by others with 10 respondents representing 16.7% , diploma had 9 respondents representing 15% of the respondents, masters followed with 8 respondents representing 13.3% followed by certificates who were 4 with 6.7%. This implies that the respondents are well educated and therefore the information obtained from them can be relied on for the purpose of this study.

4.2 Challenges encountered in inventory management at Seroma Limited Uganda

The first objective of the study was set to establish the challenges encountered in inventory management at Seroma Limited Uganda the information collected on this perspective was documented as follows.

26

Table 3: Showing responses to whether there are challenges encountered in inventory management.

Response	Frequency	Percentage
Yes	40	66.7
No	20	33.3
Not Sure	0	0
TOTAL	**60**	**100%**

Source: Primary Data

Findings in table 3 shows that 66.7 % of the respondents agreed that there are challenges to inventory management, 33.3% are not aware and none were not sure. The presentation indicates that a reasonable number of people are aware about the challenges encountered in inventory management. The presentation above indicates that whereas people are aware about the challenges of inventory management little could have been done to reduce their prevalence at Seroma Limited Uganda.

Table 4: Showing responses to the Challenges faced in inventory management at Seroma Limited Uganda.

Challenges	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
	%	%	%	%	%	%
Poor demand Forecasting	20	58.3	5	16.7	0	100
Risks such as Spoilage	50	20	11.7	8.3	10	100

27

Limited technical skills	46.7	20	18.3	6	0	100
High costs of inventory handling	53.3	16.7	5	13.3	16.7	100
Stock out costs	25	38.3	13.3	8.3	15	100
Limited equipments to handle inventory	30	35	21.6	6.7	6.7	100
Lack of a lean supply chain	50	26.6	11.7	6.7	5	100

Source: Primary Data

The data collected above shows that in relation to the challenges faced in the inventory management at Seroma Limited Uganda proposed by the respondents, the research was based on the agreement parameters of strongly agreed, agreed, not sure, disagree and strongly disagreed.

The challenge of Poor demand Forecasting with 20% of the respondents who strongly agreed, 58.3% agreed, 5% of the respondents were not sure and 16.7%s disagreed and none strongly disagreed.

Risks of inventory spoilage had 50% of the respondents strongly agreed, 20% agreed, 8% disagreed, 11.7% of the respondents were not sure, 8.3% disagreed and 10% strongly disagreed.

Limited technical skills had 46.7% of the respondents who strongly agreed, 20 agreed, 18.3% were not sure, 6% disagreed and none strongly disagreed.

High costs of inventory handling had 53.3% of the respondents who strongly agreed, 16.7 agreed, 5 were not sure 13.3% disagreed and 16.7% strongly disagreed

28

'Stock out costs' had 25% of the respondents who strongly agreed, 38.3% agreed, 13.3 % of the respondents were not sure 8.3% disagreed, and 15% strongly disagreed.

30% of the respondents strongly agreed with Limited equipments to handle inventory, 35% agreed, 21.6 % were not sure, 6.7% disagreed and 6.7% strongly disagreed.

Lack of a lean supply chain had 50% of the respondents who strongly agreed, 26.6% agreed, 11.7 % were not sure, 6.7% disagreed and 5 % of the respondents strongly disagreed.

The researcher further sought for additional information form respondents that were seen to include.

- Poor order making
- Limited storage space
- Poor market scanning for inventory

Owing to the presentation and interpretation above in regard to the challenges faced in the management of inventory. The findings indicate that in with the computations on agreement with the challenges faced in inventory management that is to say those who agreed and strongly agreed. The challenge of Poor demand Forecasting had 78.3% agreement, Risks such as Spoilage had 70%, Limited technical skills had 67%, high costs of inventory handling had 70%, Stock out costs had 53.3%, Limited equipments to handle inventory had 65% and finally lack of a lean supply chain with 76.6%. the responses to the challenges indicate that there are a series of challenges to inventory management, it further implies that challenges mentioned by respondents indeed affected inventory management at Seroma Limited Uganda hence the need to adequately comprehend the status quo for improved inventory.

4.3 Strategies that can be adopted by purchasing entities in the management of inventory.

The second objective of the study was to establish the strategies that can be adopted to improve the management of inventory at Seroma Limited Uganda.

Table 5: Showing responses to the strategies that can be adopted by purchasing entities in the management of inventory.

Strategies	Weight Strongly Agree %	Agree %	Not Sure %	Disagree %	Disagree %	Total %
Adopting a lean supply	45	16.7	10	20	8.3	100
Establish appropriate inventory management procedure	55	21.6	6.7	6.7	10	100
Effective requirement plan	46.7	28.3	23.4	1.7	0	100
Improved demand forecasting	66.7	11.7	5	8.3	8.3	100
Adoption of vendor managed inventory system	65	3.3	11.7	6.7	13.3	100
Adequate order making	33.3	31.7	10	16.7	8.3	100
Training of stores staff on handling	75	6.7	1.7	13.3	3.3	100

Source: Primary Data

The table 5 illustrates field data collected on the strategies that need to be established to control inventory effectively, the responses were captured in form of those who strongly agree, agree, not sure, disagree and strongly disagree. The following was collected.

30

The Adopting a lean supply' had 45% of the respondents who strongly agreed and also 16.7% who agreed, 10% were not, 20 % disagreed and 8.3% of the respondents strongly disagreed

Establish appropriate inventory management procedure 'had 55% of the respondents who strongly agreed, 21.6% agreed, and 6.7% been not sure, 6.7 disagreed and 10% strongly disagreed.

Effective requirement plan 'had 46.7% of the respondents who strongly agreed, 28.3% agreed, 23.4% were not sure, none of the respondents strongly disagreed and 1.7% of the respondents disagreed.

Improved demand forecasting had 66.7 % of the respondents who strongly agreed, 11.7 agreed, 5% were not sure and 8.3% and 8.3% strongly disagreed and disagreed respectively on this cause.

Adoption of vendor managed inventory system prevalence had 65% of the respondents who strongly agreed, 3.3 agreed, 11.7% were not sure, 6.7% disagreed and 13.3% strongly disagreed.

Adequate order making 33.3% of the respondents who strongly agreed, 31.7% agreed, 10% were not sure, 16.7% disagreed and 8.3% strongly disagreed.

Training of stores staff on handling had 75% of the respondents who strongly agreed, 6.7% agreed, 1.7% were not sure, 13.3% disagreed and 3.3 strongly disagreed. This was the cause that had the largest number of respondents who strongly agreed and agreed.

The following elaboration shows the number of respondents who responded on the strategies that can be employed in the control of inventory (Total of those who strongly agreed and Agreed in percentages). Based on the key findings, the rankings on the responses of strategies were. Adopting a lean supply chain' with 51.7%, Effective requirement plan 76.6%, establish appropriate inventory management procedure 75% , Effective requirement plan 75% ,Improved demand forecasting 78.4%, Adoption of vendor managed inventory system prevalence had 68.3%, adequate order making had 65%, training of stores staff on handling had 75%. The responses indicate that the strategies mentioned if adopted and effectively comprehended can aid in solving the challenges faced in inventory management at Seroma Limited Uganda.

4.4 Effects of inventory management on performance of organisations.

The third objective of the study sought to establish the effects of inventory management on the performance of Seroma Limited Uganda. The responses were tabulated based on the study parameters provided below.

Table 6: Showing responses to whether inventory management affects performance

Response	Frequency	Percentage
Yes	36	60
No	10	16.7
Not Sure	14	23.3
TOTAL	**60**	**100%**

Source: Primary Data

From the table 7, in regard to the question of whether inventory management affects performance of Seroma Limited Uganda, 36 respondents representing 60 % of the respondents argued in line with the question, 16.7% disagreed and 23.3 % were not sure. From the interpretation, it is clear that whereas inventory management affects performance of Seroma Limited Uganda, the point of disagreement and that of not sure that weighs to 40% should not be underestimated. It perhaps indicates that inventory management affect performance to some extent there is need for adequate analysis before recommendations are made.

Table 7: Showing responses to the effects of inventory management on performance of Seroma Limited Uganda.

Effects	Strongly Agree	Agree	Not Sure	Disagree	Strongly Disagree	Total
	%	%	%	%	%	%
customer service	50	15	18.3	10	6.7	10

Profitability	60	5	16.7	3.3	0	100
Efficiency an effectiveness in production	50	33.3	3.3	6.7	6.7	100
increased customer base	33.3	31.7	10	13.3	11.7	100
Effective management of resources	25	40	8.3	10	16.7	100
Increased sales	28.3	21.7	25	8.3	16.7	100
Improved service delivery	43.3	16.7	20	13.3	6.7	100

Source: Primary Data

The information below is an interpretation of the findings on the effects of inventory management on performance of Seroma Limited Uganda. The following responses were captured.

Customer service had 50% of the respondents who strongly agreed, 15% agreed, 18.3% were not sure, 10% disagreed and 6.7% strongly disagreed

60% of the respondents strongly agreed with Profitability, 5% agreed 16.7% were not sure, 3.3% disagreed and 15% of the respondents strongly disagreed.

Efficiency effectiveness in production had 50% of the respondents who strongly disagreed, 33.3% agreed, 3.3% of the respondents were not sure 6.7% disagreed and 6.7% of the respondent strongly disagreed.

Increased customer base had 33.3% of the respondents who strongly agreed, 31.7% agreed, 10% were not sure, 13.3% disagreed and 11.7% strongly disagreed.

Effective management of resources had 25% of the respondents who strongly agreed, 40% agreed, 8.3% were not sure, 10% disagreed and 16.7% strongly disagreed.

Increased sales because of adequate customer needs assessment had 28.3% of the respondents who strongly agreed, 21.7 % agreed, 25% were not sure, 8.3% disagreed and disagreed 6.7% strongly

Improved service delivery had 43.3% of the respondents who strongly agreed, 16.7 % agreed, 20% were not sure and 13.3% disagreed and 6.7% strongly disagreed.

The respondents further provided the following as additional effects of inventory management on performance of Seroma Limited Uganda.

- Increased financial accountability
- Improves customer scanning
- Increases customer forecasting

The presentation and interpretation above presents mechanisms on which inventory management affect performance of Seroma Limited Uganda, Customer service with 65%, Profitability had 65%, efficiency and effectiveness in production with 83.3%, increased customer base 65%, Effective management of resources with 65% the responses increased sales because of adequate customer needs assessment with 50%, improved service delivery with 60% agreement. The interpretations indicate that adopting the strategies mentioned in the terms presented will enhance effectiveness in managing inventory.

CHAPTER FIVE

SUMMARY, CONCLUSION, RECOMMENDATIONS AND AREAS OF FURTHER STUDY

5.0 Introduction

The study was carried out with the view to assess the impact of inventory management on performance of organisations with special attention to Seroma Limited Uganda. This chapter is concerned with summary, conclusion, recommendations and suggestions about the findings that were gathered from the case study.

5.1 Summary of the findings

66.7 % of the respondents agreed that there are challenges to inventory management, 33.3% are not aware and none were not sure. The presentation indicates that a reasonable number of people are aware about the challenges encountered in inventory management.

The challenges faced in inventory management that is to say those who agreed and strongly agreed. The challenge of Poor demand Forecasting had 78.3% agreement, Risks such as Spoilage had 70%, Limited technical skills had 67%, high costs of inventory handling had 70%, Stock out costs had 53.3%, Limited equipments to handle inventory had 65% and finally lack of a lean supply chain with 76.6%,

The respondents further provided more challenges faced in the management of inventory that included Poor order making, Limited storage space, and Poor market scanning for inventory.

Based on the key findings, the rankings on the responses of strategies on the measurement of agreement with the strategies based on strongly agree and agree. Adopting a lean supply' with 51.7%,Effective requirement plan 76.6%, establish appropriate inventory management procedure 75% , Effective requirement plan 75% ,Improved demand forecasting 78.4%, Adoption of vendor managed inventory system prevalence had 68.3%, adequate order making had 65%, training of stores staff on handling had 75%.

In regard to the question of whether inventory management affects performance of Seroma Limited Uganda, 36 respondents representing 60 % of the respondents argued in line with the question, 16.7% disagreed and 23.3 % were not sure.

Inventory management affect performance of Seroma Limited Uganda through Customer service with 65%, Profitability had 65%, efficiency and effectiveness in production with 83.3%, increased customer base 65%, Effective management of resources with 65% the responses increased sales because of adequate customer needs assessment with 50%, improved service delivery with 60% agreement.

The additional responses were that inventory management affect performance through increased financial accountability, Improves customer scanning and Increases customer forecasting.

5.2 Conclusion

The study was set to examine the influence of inventory management on performance of organisations: with special focus and attention based at Seroma Limited Uganda, the study was based on three objectives which included establishing strategies for improving inventory management, examining challenges faced in the management of inventory and establishing the effects of inventory management on performance of Seroma Limited Uganda. The findings were that several challenges are faced in inventory management including Poor demand Forecasting, Risks such as Spoilage, Limited technical skills, high costs of inventory handling , Stock out costs , Limited equipments to handle inventory and finally lack of a lean supply chain. This prompted the researcher to seek for strategies that included Adopting a lean supply, Effective requirement plan, establish appropriate inventory management procedure, Effective requirement plan, Improved demand forecasting, Adoption of vendor managed inventory system prevalence, adequate order making and training of stores staff on handling, this according to respondents would improve inventory management. It was finally established that inventory management has effect on performance of Seroma Limited Uganda through improved Customer service, Profitability, efficiency and effectiveness in production, increased customer base, Effective management of resources, increased sales because of adequate customer needs assessment and, improved service delivery. The observation creates a situation of need not only for Seroma Limited Uganda but other organisations if performance is to be adequately realised in organisation.

5.3 Recommendations

Based on the findings, the researcher made the following recommendations

- Seroma Limited Uganda should forecast market for its products so that it stocks enough inventories to avoid under stocks and reduce on damaged inventory.

- The company should also need to fix the stock levels that is, maximum, minimum, and reorder levels for all items in stock in order to avoid inadequate stocks or stock outs suffered by the company. Stock levels will help in guiding the time and period of replenishment that will avoid stock outs.

- Seroma Limited Uganda should minimize on its inventory expenses by using skilled labour and also increase on its sales by widening on market for its products.

- Seroma Limited Uganda should identify the order quantity that minimizes total cost of stock holding, stock ordering and purchase costs in order to maximize profits. This will enable and guide the replenishments for the company and reduce aspects of spoilage of inventory.

- Seroma Limited Uganda should put into consideration inventory management when planning for better profits in the coming years and should also minimize the cost of production as lowest as possible.

- Finally the researcher recommends for the adoption of the strategies raised by the respondents that are intended to improve inventory management at Seroma Limited Uganda including enhancing capacities of the procurement and stores department to manage inventory effectively.

5.4 Area s of further research

Given the time and resources, the researcher suggests the following as possible areas for further research on records management:

- Inventory management and financial management in organizations
- The role of inventory management on customer satisfaction
- Inventory management and service delivery

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Appendices: Appendix I: Research Instrument: Questionnaire

Dear respondent.

I Mwesigye Stephen third year student of Kampala international University pursuing a Bachelors degree of supplies and procurement Management. I am conducting a study on inventory management and performance of organisations, a case of Seroma Uganda Ltd. This questionnaire is purely for academic purposes and the information attained will be kept confidential.

PART A; RESPONDENTS PROFILE

1. Gender

        Male ☐   Female ☐

2. In which age bracket are you?

    18-37 ☐   38-48 ☐

    28 - 38 ☐   49+ ☐

3. Education level

    Certificate ☐   Masters ☐

    Diploma ☐   others ☐

    Degree ☐

PART B: Challenges encountered in inventory management

4. Is inventory management faced with challenges?

Yes ☐

No ☐

Not sure ☐

The following are the challenges encountered in the management of inventory at Seroma Limited Uganda.

(1-Strongly Agree, 2-Agree, 3-Not sure, 4-Disagree, 5-Strongly disagree)

Tick the appropriate box.

Challenges	1	2	3	4	5
Limited technical skills					
Risks such as spoilage					
Poor demand forecasting					
Limited equipments to handle inventory					
Lack of a lean supply chain					
High costs of inventory handling					
Stock out costs					

If there are any other challenges associated with the procurement process, please mention them

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SECTION C: Strategies that purchasing entities can adopt in managing inventory

The following are the strategies that can be adopted by purchasing entities in the management of inventory.

(1-Strongly Agree, 2-Agree, 3-Not sure, 4-Disagree, 5-Strongly disagree)

Tick the appropriate box.

Strategies	1	2	3	4	5
Establish appropriate inventory management procedure					
Improved demand forecasting					
Effective requirement plan					
Adopting a lean supply					
Training of stores staff on handling					
Adoption of vendor managed inventory system					
Adequate order making					

If there are any other mechanism that need to be adopted in managing inventory . Please mention them

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Part D: Effects of inventory management on performance of organisations

The following factors determine the effect of inventory management on performance of organisations. The following abbreviations will be used

(1-Strongly Agree, 2-Agree, 3-Not sure, 4-Disagree, 5-Strongly disagree)

Effects of inventory management on performance	1	2	3	4	5
customer service					
Profitability					
Efficiency and effectiveness in production					
increased customer base					
Effective management of resources					
Increased sales					
Improved service delivery					

If there are any other mechanisms of effects, please mention them

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Appendix ii: Actual Time frame

No	Activity	Time
1	Piloting and frame work design	1st-2nd week of Feb 2015
2	Proposal writing	3rd - 4th week of Feb "
3	Preparing the Instruments	March "
4	Data collection	Mid March "
5	Data Analysis	Late March "
6	Report writing	Early April "
7	Submission of completed report.	Mid April "

Appendix: iii : Research budget

Items	QTY	UNIT COST	AMOUNT
Stationery			60,000=
Transport			100,000=
Preparing questionnaires interview guide			20,000=
Editing data, printing and binding		100,000	100,000=
Airtime		50,000	50,000=
Motivation and refreshment			40,000=
Miscellaneous		20,000	20,000=
TOTAL			400,000=