

**INVENTORY CONTROL AND ORGANIZATIONAL PERFORMANCE A CASE
STUDY OF MUKWANO GROUP OF COMPANIES,
MAIN BRANCH KAMPALA UGANDA**

BY

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**A DISSERTATION PRESENTED TO THE COLLEGE OF APPLIED
ECONOMICS AND MANAGEMENT SCIENCE IN PARTIAL FULFILMENT OF
THE REQUIREMENT FOR THE AWARD OF A DEGREE IN**

PROCUREMENT AND SUPPLIES AT

KAMPALA INTERNATIONAL

UNIVERSITY

FEBRUARY, 2013

APPROVAL

This research report has been submitted for academic purpose with the approval of my main Supervisor.

RUTE GANDA MICHAEL

SIGNATURE.....*Rute Ganda Michael*..... DATE.....*27/02/13*.....

ACKNOWLEDGEMENT

Honor goes first to the almighty God for creating me and giving me the knowledge that guided me throughout my studies .I also appreciate those who helped me in producing this research work for without their assistance nothing would have gone further especially my supervisor Mr. Ruteganda Michael whose efforts account most of the production of this report

I also sent my heart appreciation to my parent's brother's sister's friends and patient wife for their efforts rendered to me towards my academic career


Finally to all those who extended their spiritual, moral, love, and financial support during my study at the university

DECLARATION

I do declare that this research report is of my own original work and has never before been submitted for any academic award where work of others have been used acknowledgements have been made

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DATE 27th/02/13

CHAPTER ONE

1.1 Background of the study

Inventories over the past years have been difficult to control and even up to day though it's to some extent being brought down. This has always raised because they are immovable and subject to decision made many persons including vendors and customers. Joseph L. Cavinator (1984). Over the past in the whole sale or retail business or in productive facility, inventory was being recognized as boxes of parts or as racks of clothes. Material becomes inventory as its purchased and delivered to the facility and placed in the store or holding area. Material represents a large part of finished products cost 55% is the average in manufacturing organization. An organization investment in inventory can become excessive unless property controlled. Mark A. Vonderembse and P. White (1998).

Inventory control refers to a planned method of purchasing and storing the materials at the lowest cost without affecting the production and distribution schedule. Inventories comprise of raw materials, consumable stores, machinery and equipment, general stores, working progress and finished goods to be purchased and stored. Inventory control therefore is a scientific method of determining what when and how much to have in stock for a given period of time. N.A Saleem (1997). Organizational performance comprises of actual output or the results of an organization as a measure against its intended outputs (or goals and objectives). [http//geogle.com](http://geogle.com).

Inventory control can significantly boost customer service levels while operating as a cornerstone of an effective organizational performance. Inventory system offers comprehensive reporting capabilities to keep the organization on top. Inventory control status can help the organization bring out creation of new or

improved purchasing policies, pricing methods and even enhance customer service. Therefore with the help of proper inventory, the organizational performance will always be at its peak.

Mukwano group of companies' profile.

Mukwano group of companies is the leading manufacturer of fast moving consumer goods (FMCG), producing a wide variety of high quality affordable market leader brands in soaps, edible cooking oil and fats, detergents, beverages, personal care products and plastics. The groups headquarters is located on Mukwano road in Kampala, Uganda's capital city. The co-ordinates of the company headquarters are 001850N, 325923E latitudes: 0.3137, longitude: 325923). The group has manufacturing facilities and Assets in Masindi District, Lira District and Kampala, Uganda's Capital city. Mukwano group also maintains manufacturing assets in Mombasa, Kenya and Dar - es-salaam, Tanzania among other locations. the group was established in 1986, although it did not start operations until 1989. To day, the group is involved in five (5) main areas of business. Its products are found almost every household in the greater Eastern African region. It employs over 6000 people in the region. Its among the top 10 biggest and the most compliant tax payers in Uganda. They have a motto "continued quest for excellence", a vision "to become the supplier of choice for fast moving consumer goods in East and central Africa", Their core values are: To touch the lives of families in East and central Africa every day, to also gather evaluate customer feedback to continuously improve quality of their products and services to their customers and takes employees as an asset of the organization. <http://google.com>. The Mukwano group of companies controls their inventory using both manual and computerized systems.

1.2 Statement of the problem

Given that inventory control is considered a key factor in ensuring organization performance positively, a reasonable number of organizations have performed

poorly leading to organization to breakdown. Therefore this calls for organizational responsible departments to exercise rightful practices of inventory control so as to ensure organizational performance in a positive and successful way. Hence inventory control is a key factor in ensuring organizational success. Therefore poor inventory control will automatically contributes to organizational failure if this as a result of the study will be directed on headquarters on Mukwano road in Kampala, Uganda's capital city.

1.3 Research objectives

1.3.1 General objective

To find out the techniques of inventory control used in Mukwano group of companies in Kampala, Uganda's capital city.

1.3.2 The specific objectives

To find out the reasons of inventory control in Mukwano group of companies Kampala, Uganda.

To find out the classifications of inventory in Kukwano group of companies in Mukwano road, Kampala Uganda.

To investigate the costs incurred in obtaining and carrying inventories in Mukwano group of companies in Kampala Uganda.

1.4. Research questions

1.4.1. General Research Questions

What are the techniques of inventory control?

1.4.2 Specific Research Questions

i. What are the reasons of inventory control in Mukwano group of companies in Kampala Uganda?

ii. What are the classifications of inventory in Mukwano group of companies in Mukwano road, Kampala Uganda?

iii. What are the costs incurred in obtaining and carrying inventories in Mukwano group of companies Kampala Uganda?

1.5 Significance of the study

1.5.1 To the organization

1.5.1.1 It will help the organization to develop and adapt to proper techniques of inventory control.

1.5.1.2 It will also enable the organization to understand the weaknesses imbedded in inventory control that has always contributed to its poor performance.

1.5.1.3 This study will help the organization to determine rates of consumption and when more stock is be ordered by placing of orders.

1.5.2 TO the Researcher

1.5.2.1 The study will help the researcher to understand the techniques of inventory control.

1.5.2.2 Enables the researcher to come up with the powerful techniques and approaches that will lead to excellent organizational performance regarding inventory control.

1.6 Scope of the study

The study will be conducted at Mukwano group of companies located in Mukvano Road, in Kampala Uganda's Capital city. Its coordinates are 001850N, 325923E (latitude: 0.3 137, longitude 325923). The study is going to take place for one month and half, I will start on March 20th 2012 and it is going to end on May 5th 2012. Inventory control is a broad topic but I will major on inventory control and organizational performance in Mukwano group of companies in Kampala.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter, the will review several literature and studies pertaining Inventory and organizational performance.

2.1 Definitions

Inventory control

According to N.A Saleem 1997, inventory control refers to a planned method of purchasing and storing the materials at the lowest cost without affecting the production and distribution schedule inventories comprise of materials, consumable stores, machinery and equipment, general stores working progress and finished good to be purchased and stored. Inventory control therefore is a scientific method of determining what, when and how much to have in stock for a given period time.

Organizational performance

According to [http://organizational performance.com](http://organizational_performance.com), organizational performance comprises of actual output or the results of an organization as a measure against its intended outputs (or goals and objectives).

2.2 Techniques of inventory control

According to Gary J. Zenz techniques of inventory control are manual system, computerized system, ABC analysis, maximum and minimum (Economic order quantity) and Barcoding according to Lysons and Farrington 2006.

Manual system

Basic to sound system of inventory control which is the assembling of pertinent data to provide economic ordering points and ordering quantities. This is done with the help of an inventory ledger which ranges from simple to complex form depending on the nature of business. Data in this form include

Detailed identification of item

List of suppliers

List of purchase orders

Monthly rate of usage for past several years

Delivery time

Minimum order quantity

Bin balance available for issue to production.

It's likely that manual inventory technique will completely vanish.

Computerized system

Records management under a computer system is easier and accurate than manual system. The computerized system uses code numbers which respond to specific items. Each item in inventory is loaded and any adjustment made to the items is effected through use of items code number. Most computerized systems make an inventory adjustment each time an order for a particular item is processed, for either an internal requisition or an outside sale. When an item is ordered, the amount of remaining them in inventory is adjusted accordingly. The adjustment is a decrease in total inventory.

ABC Analysis

This means classifying items according to value. We have A - Class items which are of high value and account for 65 to 80 percent of the total inventory although they represent only 10 to 20 percent of the inventory items.

B - Class items. Are not high priced and have a general inventory value of 10 to 15 percent while representing 20 to 25 percent of items in inventory. -

C- Class items. Made up of low value items which account for 5 to 10 percent of inventory value and 60 to 65 percent of inventory items. Less concern would obviously be directed to low value items as compared to high class items.

Maximum and minimum (Economic order quantity)

Involves establishment of maximum and minimum inventory levels. Theoretically the minimum inventory level could be Zero, meaning the last unit of inventory would be used up at the moment a new shipment is received. But practically a point is set where the inventory order is placed if this point has reached such that would not run out of inventory as it waits for new shipments.

Barcoding

Invented in the 1950s, barcodes accelerate the flow of information throughout the business. The familiar example of the use of barcodes is the electronic point of sale system, which is when retail sales are recorded by scanning product barcodes at checkout tills. It verifies, checks and charges transactions, provides, instant sales, reports and monitorized and charges prices and sends inter and intra store messages and data.

2.3 Reasons of inventory control

According to Lysons and Farmington (2003), the reason for inventory control is;

To reduce the risk of supplier's failure or uncertainty safety and buffer stocks are held to provide some protection against such contingencies for example drought and floods.

To protect against lead time uncertainties such as suppliers replenishment and lead time are not known with certainty.

Meet unexpected demands or demands for customization of products as with a give production

Ensure replenishments of items in constant demand, such as maintenance of suppliers and office stationary

Hedge against anticipated shortages and price increase especially at times of high inflation.

2.4 Inventory classifications

According to lysons and Farmington (2006) page 316, they include

Raw materials, goods in unprocessed stage waiting for conversion into a product. For example fruits and milk.

Components and assemblies. These are inventory waiting to be incorporated into an end product.

Consumables, supplies which do not form part of a saleable products, classified as indirect and subclass-office such a stationary.

Finished goods, products manufactures for resale and for dispatch

2.5 Costs incurred in obtaining and carrying inventories

Acquisition costs, these are costs incurred in placing an order and they are incurred irrespective of order size. For example cost of an order will be the same irrespective of whether 1 or 1000 tones like primary placement and post placement costs.

Holding costs, costs incurred in handling, they are of two types and include

Costs proportional to the value of the inventory such as financial costs, costs of insurance and losses in value due to deterioration, obsolescence and pilfering.

-
Costs proportional to the physical characteristics of inventory such as storage costs, labor and clerical costs relating to store records and documentation.

Costs of stock, these are incurred due to being put of inventory. They include

Losses of production output

Costs of idle time and fixed overheads spread over a reduced level of output.

Costs of any action taken to deal with stock outs like buying from another stockiest at an enhanced price switching production and obtaining substitute materials.

Loss of customer's goodwill due to inability to supply or late delivery.

The above costs with the help of effective inventory control techniques can be managed for good organizational performance. Lysons and Farmington 2006.

CHAPTER THREE

RESEARCHER METHODOLOGY

3.0 Introduction

This chapter will show the methods of research and the reasons the will be used in the study. It will therefore contain research design, study area, target population sample size and allocation on, data analysis and presentation, methods of data collection and the limitations of the study.

3.1 Research design

Here, a case study will be used which will focus on a particular areas. The study will entail the use of quantitative approach to ascertain the relationship of inventory control and organization performance. This will be obtained by the help of respondents, feedback. The results will therefore be used to draw up bar graphs. Quantitative analysis will then later be used to interpret quantitative data inform of highest and lowest data obtained.

3.2 Area of study

The study will be conducted at Mukwano group of companies' headquarters in Mukwano road, in Kampala Uganda. Its co-ordinates are 001850N, 325923E (latitude: 0.3 137), longitude 325923)

3.3 Target population

This is the population to which the researcher ultimately wants to generalize the results of the study. Amin (2005) page 235. The target population of my study will be the staff of Mukwano group of companies in Mukwano road, Kampala Uganda and its customers.

3.4. Sample and size allocation/distribution

SN	Categories	Number
1	Board of directors (BOD)	10
2	General staff members	18
3	Finance department	12
4	Human resource department	8
Total		48

3.5 Data analysis and presentation

In the start of the study, the data will be collected by use of interviews and questionnaires. This data will then be analyzed by the use of Microsoft word, excel and bar graphs and line graphs. Thereafter, a question will arise to make sure that all the data is also interpreted into quantitative form in an accurate manner.

3.6 Methods of data collection

Secondary data

A secondary source is a statistical material which does not originate by the researcher but which I will obtain from some one else's records. For example newspapers, magazines, internet and also from different books but its good for guidance so as to be perfect doulas et al (2003).

This refers to data the researcher originates for the purpose of inquiry at hand. Hence first hand and raw data will be obtained by the researcher. Dr. S.P

Gupta (2002) age 44. The following are the various methods used to collect primary data.

Direct personal interviews

Questionnaire

This is a collection of data technique that involves exchanging words verbally inform of questioning by interviewer and responded by interviewee, which can either be interviewees in a group or as an individual. Therefore, the customers and staff of Mukwano group of companies in Mukwano road; Kampala Uganda will also answer study questions on interview basis.

A fully constructed and printed questionnaire is sent to the respondents of Mukwano group of companies. In Mukwano road in Kampala Uganda either by post of mail and they are expected to fill at their convenient time and sent it back to the researcher by post or mail. There are two types of research and they include open ended and closed ended. In closed ended, the researcher will ask questions which involve short responses from alternatives given. In open ended, the researcher calls for free response in respondent's own words, hence no clues of answers are given. Both the two questionnaire methods will both be applied in Mukwano group of companies' in Mukwano road, Kampala Uganda so as to cater for different categories. For example those who can read and interpret and those who can not.

3.7 Data analysis

Data will be analyzed and processed by the use of the following computer programs; Microsoft word, this will enable and make it easier to create a table and classify the different quantitative data.

Microsoft excel, this will enable the coming of accurate and well presented bar graphs and histograms. The histograms will help the researcher to know the relationship of inventory control and organizational performance in Mukwano

group of companies. in Mukwano road, Kampala Uganda and this will make it easy to understand and interpret the study results.

3.8 Limitation of the study

My study of inventory control in Mukwano group of companies in Mukwano road, Kampala Uganda will be limited by the following;

Confidentiality, some of the information regarding inventory control in Mukwano groups of companies in Mukwano groups of companies in Mukwano road Kampala Uganda will not be released since it's a tendency of managers to help some information confidential

Accessibility, some of the respondents to my questions will be difficult to access like managers due to their busy time schedule which may conflict with mine.

Time, the correspondents may not have enough time to responded to my questions hence limiting my study

False information, some correspondents may deliver information which is false underling my study to be inaccurate.

Capital, my study will require funds that will facilitate my transport so as to reach to my area of study on time and also to give my respondents so as to give me dialect information.

CHAPTER FOUR

DATA PRESTATION, ANALYSIS AND INTERPRETATION

4.0. Introduction

This chapter deals with analysis interpretation and presentation of the research finding

The analysis and research finding were interpreted and analyzed basing on the research questions. The study was set to investigate the impact of outsourcing on the performance of Mukwano Group of companies .The finding were obtained through the use of a questionnaire, interviews and documents from Mukwano Group companies which was used as case study

4.1 Demographic characteristics

Table i. Showing Demographic Characteristics' of the respondents.

Respondent	Frequency	Percentage
Male	25	64
Female	15	36
Total	40	100

Source: Primary Data

From the table above, it can be seen that the majority of respondent are male that is 25 respondent repressing 64% of the total respondents and 15 respondents are female representing 36% of the respondent

Figure i: Bar graph showing Age Distribution of Respondents.

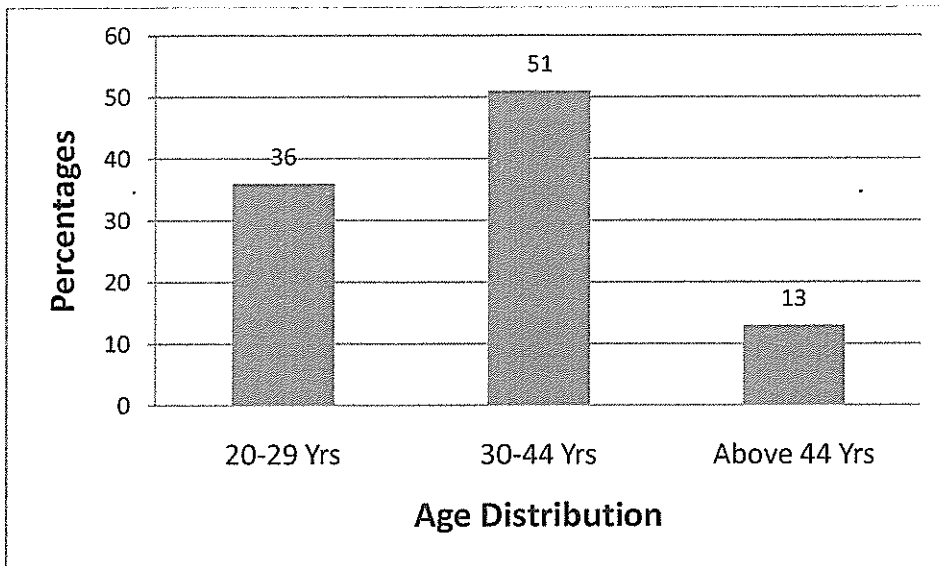


Table ii: Showing Academic Qualification of the Respondents.

Academic Qualifications	Frequency	Percentage
Diploma	8	20
Degree	20	50
Postgraduate	12	30
Total	40	100

Source: Primary Data.

From the above table it is seen that the majority of the staff in Mukwano Group of companies are degree holders representing 50% followed by postgraduate holders of 30% and then diploma holders of 20%. This implies that the staff of Mukwano Group of

companies is well educated and therefore the information obtained from them can be relied upon for purpose of this study

4.2. Importance of inventory control in Mukwano Group of companies.

Table iii: Showing responses on whether inventory control is Practiced in Mukwano Group of Companies.

Response	Frequency	percentage
Yes	30	75
No	6	15
Not	4	10
Total	40	100

Source: Primary Data.

From the table above the response on it is evident that the Mukwano Groups of companies practice inventory control basing on 75% of the respondents who agreed 15% never agreed 10% were not sure however this point of disagreement is less compared to those on the who agree therefore the finding of the research will be based on the facts presented and so any recommendation made will be applicable

Table iv: Showing responses to whether inventory control is important Mukwano Group of Companies

Response	Frequency	Percentage
Yes	26	65
No	6	15
Not sure	8	20
Total	40	100

From the table above 65% of the respondents agreed that inventory control is important for Mukwano Groups companies, 15% disagreed .20% were not sure . This therefore indicate that where those in agreement outweigh those in agreement .Those who say no and not sure present a substantial 35%that cannot be underestimated in providing recommendation

Importance of inventory control to Mukwano Group of companies

The first objective that was intended to establish the importance of inventory control in the performance of Mukwano Groups Companies

Table v. Showing the response to the importance of inventory control in Mukwano Groups of Companies.

Importance	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Better quality of skilled labour	16	40	10	25	2	5	4	10	8	20	40	100
Risks sharing and transference	20	50	4	10	8	20	2	5	6	15	40	100
Capacity management	14	35	8	20	4	10	8	20	16	15	40	100
Increased productivity and efficiency	18	45	6	15	4	10	8	20	4	10	40	100
Concentration and core business	30	75	4	10	2	5	2	5	2	5	40	100
Lower costs	20	50	12	30	2	5	6	15	0	0	40	100
Improving customer services.	14	35	12	30	0	0	14	35	0	0	40	100

Source primary Data

From the above it can be seen that

In relation to the importance of inventory control 40% of the respondents strongly agreed that better quality of skilled labour is a key importance of inventory control, 25% agreed, 5% were not sure, 10% disagreed and 20% strongly disagreed.

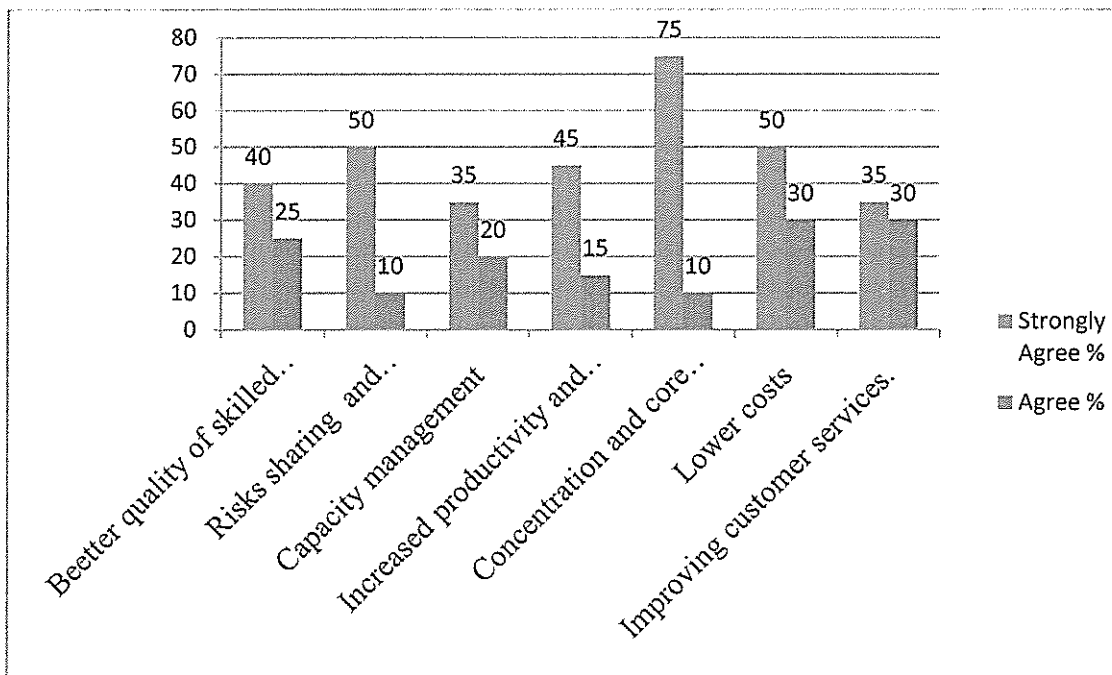
Risk management had 50% of the respondents who strongly agreed, 10% agreed, 20% were not sure 5% disagreed and 15% strongly disagreed.

Capacity building had 35% of the respondents who strongly agreed, 20% agreed and disagreed respectively 10% not sure 15% strongly disagreed.

Increases productivity as an importance of inventory control had 45% of the respondents who strongly agreed 15% agreed 10% were no sure 20% disagreed and 10% strongly disagreed

Concentration on core business idea had 75% of the respondents who strongly agreed, 10% agreed 5% were not sure, Lower costs had 50% of the respondents who strongly agreed, 30% agreed 5% were not sure 15% disagreed and none strongly disagreed.

Improving customer care had 35% of the respondents who strongly agreed 30% agreed none were not sure and strongly disagreed 35% disagreed.



From the above table it can be seen that in relation to the importance of inventory control to organization, According to the respondents who strongly agreed and agreed 84% are in line with concentration on core business; reduction of costs with 80% who strongly agreed and agreed.

4.3. Challenges encountered in inventory control by Mukwano Group of Companies.

To the second objective that was intended to establish the challenges encountered in inventory control at Mukwano Group companies

Table vi: showing response the challenges encountered in inventory control

Importance	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Unexpected costs may occur	20	50	10	25	0	0	10	25	0	0	40	100
Failure to fully execute obligations	25	62.5	10	25	4	10	1	2.5	0	0	40	100
Difficult to reserve	25	37.5	19	47.5	0	0	4	10	2	5	40	100
Damage reputation	20	50	10	25	2	5	4	10	4	10	40	100
Loss of managerial control	14	35	12	30	5	12.5	1	2.5	10	25	40	100
Loss of confidentiality	10	25	20	50	0	0	4	10	6	15	40	100

Source: Primary Data.

The data collected above shows that

The challenge of unexpected costs 50% of the respondents who strongly agreed. 25% agreed none of the respondents were not sure and strongly disagreed and 25% respondents disagreed

62.5% of the respondents strongly agreed in respect to change failure by the outsourced firm to fully execute their obligation 25% agreed 10% disagreed, none of the respondents strongly disagreed and 2.5% disagreed

Difficulty to reserve had 37.5% of the respondents who strongly agreed, 47.5% agreed none of the respondents disagreed 10% of the respondents were not sure and 5% strongly disagreed 50% of the respondents strongly agreed with damages organizational reputation; 25% agreed 10% disagreed and 10% of the respondents strongly disagreed and 5% of respondents were not sure

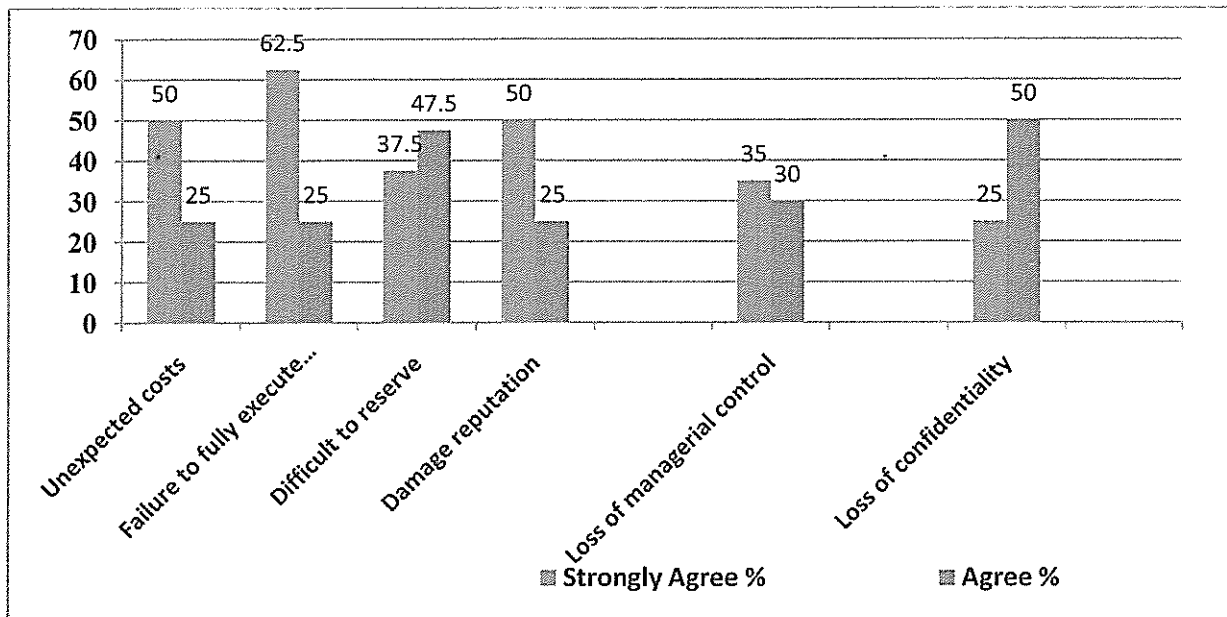
Less of managerial control to coordinate the function was commented on by 35% respondents who strongly agreed; 30% agreed 12.5% were not sure 2.5 respondents disagreed and 25% strongly agreed

Less of confidentiality as challenge to inventory control was agreed upon by 25% respondents who strongly agreed 30% agreed 10% disagreed 15% strongly disagreed and none of the respondents were not sure

The following were brought in the employees as potential challenges to inventory control

- Poor needs assessment
- Escalating administration cost
- Non compliance by supplies in certain

Figure iii: A Chart showing the number of respondents who strongly agreed and agreed with the Challenges encountered in the inventory control in percentages.



4.4. Solutions to the challenges encountered in inventory control

schemes by Mukwano Groups companies

Table (vii) showing the solutions to combat the challenges encountered in inventory control

Solutions	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Identify several outsourcing alternatives	21	52.5	10	25	4	10	0	0	5	12.5	40	100

Review and strengthen the outsourcing alternatives	17	42.5	13	32.5	4	10	6	15	0	0	40	100
Understand and determine costs structure	15	37.5	14	35	5	12.5	6	15	0	0	40	100
Understand and engage expert team	20	50	15	37.5	0	0	0	0	5	12.5	40	100
Develop rigorous requests for proposal	20	50	8	20	0	0	4	10	8	20	40	100

Source: Primary Data

In reference to the table above, 52.5% of the respondents strongly agreed with the solution of identify several inventory control alternatives, 25% agreed 10% were not sure 12.5% strongly disagreed and non of the respondents disagreed

Review and strengthen the inventory control alternative for example for regarding strategic decision making had 42.5% of the respondents who strongly disagreed 32.5% agreed none of the respondents disagreed 10% were not sure and 15% strongly disagreed.

Understand and engage expert team had 37.5% of the respondents who strongly agreed 35% agreed 12.5% were not sure, none of the respondents strongly disagreed and 15% disagreed.

Develop rigorous requests for proposals had 50% of the respondents who strongly agreed;20% agreed non were not sure, 10% disagreed and 20% strongly disagreed

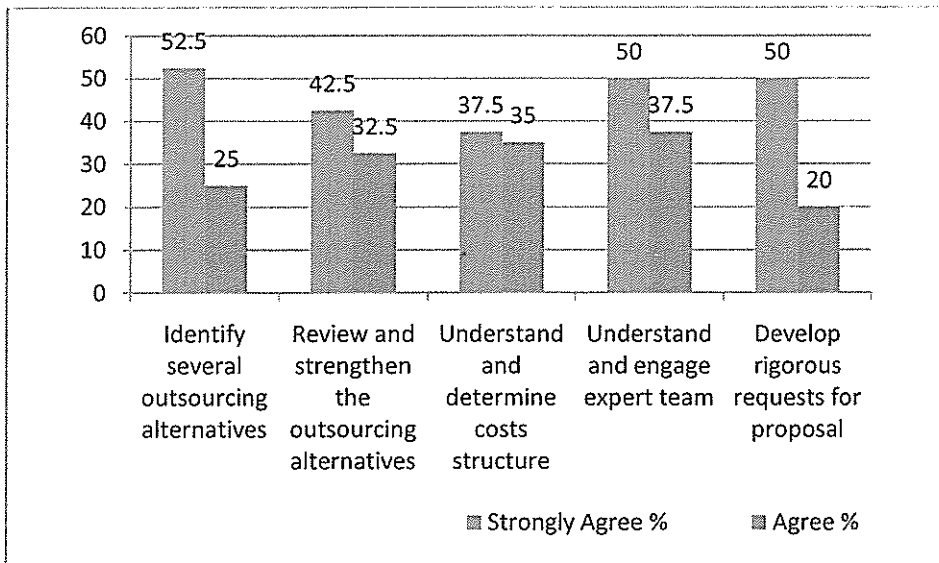
However there were other suggestions

Identify internal human resource

Update company strategic plan

Develop strategic plan

Understand your cost structure.



From the graph it is prudent to mention that the suggestions raised by the researcher in regard to the solutions to the challenges encountered in inventory control were warmly accepted by the researcher with over 70% who strongly agreed and agreed.

Table viii: Showing the relationship between inventory control and performance of Mukwano Group of companies

Outsourcing and performance	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree		Total	
	F	%	F	%	F	%	F	%	F	%	F	%
Improves company reputation	20	50	10	25	2	5	4	10	4	10	40	100

Adoption of global markets	15	37.5	13	32.5	4	10	6	15	2	5	40	100
Smooth production	10	25	20	50	0	0	6	15	4	10	40	100
Increased market share	15	37.5	14	35	5	12.5	6	15	0	0	40	100
Minimum loss due to deterioration	14	35	12	30	2	5	4	10	4	10	40	100

Source: primary data

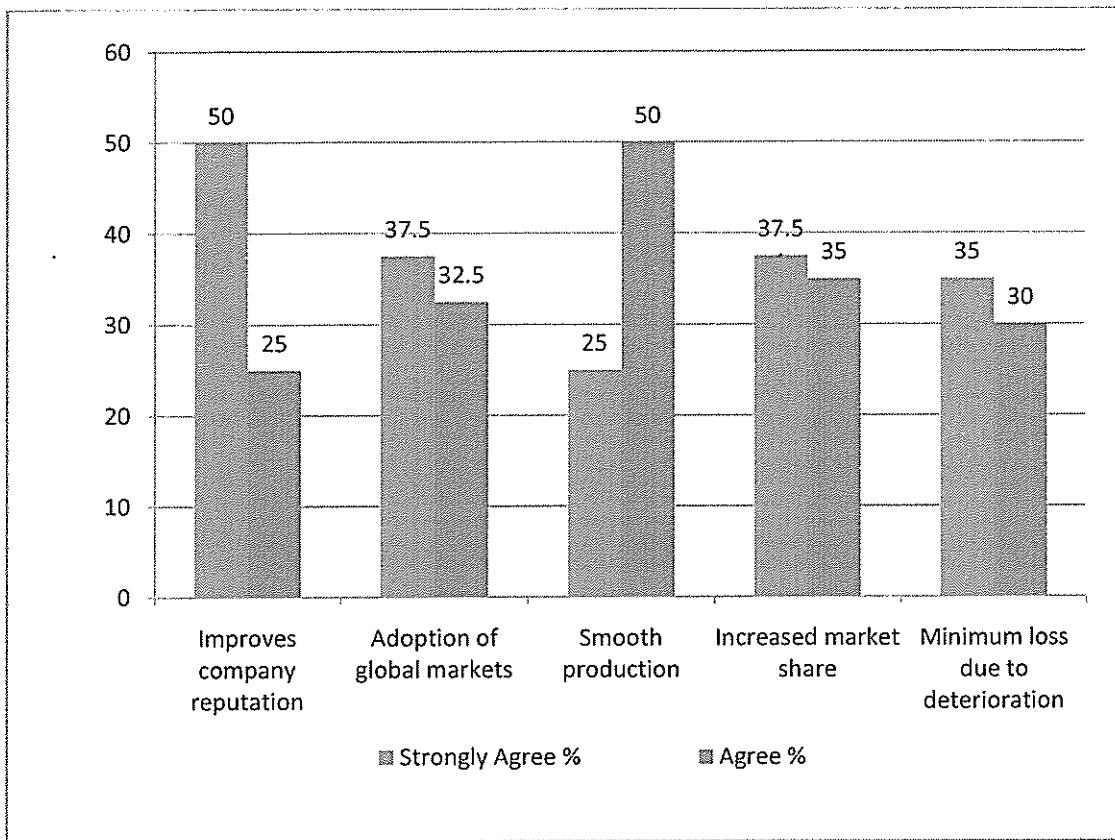
From the above table

In regard to the relationship inventory control and performance of Mukwano Group companies improves company reputation that is key aspect of performance had 50% of the respondents who strongly agreed; 12.5% agreed; 5% were not sure and 10% disagreed and 105% strongly disagreed

Smooth production had 25% of the respondents who agreed in regard to impact of outsourcing on performance, 50% agreed none where not sure, 15% disagreed and had 10% strongly disagreed.

Increased market share had 37.5% of the respondents who strongly agreed, 35% agree, 12% where not sure, 15% disagree and none strongly disagreed.

Finally 35% strongly agreed with minimal loss due to deterioration, 30% agreed, 5% were not sure, 10% disagreed and strongly disagreed.



CHAPTER FIVE

DISCUSSION, SUMMARY, CONCLUSION, RECOMMENDATIONS AND SUGGESTIONS

5.0. Introduction

This chapter presents the Discussion, summary, conclusions and recommendations made based on the study findings. They were made basing on the research questions. It also gives areas of further study.

5.1. Discussion of Findings.

This section presents the summary of findings which were based on the research questions.

2.1 Importance of inventory control

In relation with the first objective which seek to find out the impotence of inventory control to organizations. It was found out that according to the respondents who strongly agreed and aged 84% are in line with concentration on core business this argument is in line with Bienstock and Meltzer, 1999; Bergsman, 1994 argues as a company grows, administrative functions also grow. Managing back-office operations and administrative functions take the time and energy out of any organization. Inventory control frees companies from having to manage non-core functions, and puts the focus back on their core competencies. Entrepreneurs and enterprises alike have benefited from outsourcing repetitive and mundane tasks, and have had more time and opportunity to grow their business.

Reduction of costs with 80% who strongly agreed and agreed which is in line with Willcocks et al., 1995). In the theory, inventory control for cost reasons can occur when supplies costs are low enough that even with added overhead, profit and transaction costs suppliers can still deliver a service for a lower

price. One may wonder how an organization can achieve enough savings to cover an additional layer of overhead and still meet profit requirements yet perform a savings to cover an additional layer of overhead and still meet profit requirements yet perform a function for less than another organization already doing the function. Specialization and economies of scale are mechanisms used to achieve this level of efficiency (Ashe, 1996, Quinn et. 1990a, b; Roberts 2001). In fact, cost savings due to outsourcing can be quite significant in a survey of 7500 public organizations in Australia, the outsourcing of cleaning services saved an average of 46% over in-house performance of the service (Demerger and Fernandez, 1999).

5.1.2 Challenges encountered in inventory control.

Considering the second objective which was to find out the challenge that are encountered, of the respondents who strongly agreed and agreed, it's evident that all the challenges that the researcher suggested in Table iv were being faced by mukwano Group companies failure to execute obligations carrying the most weight since it had a total agreement of 84% this is in line with and loss of confidentiality 78%. The findings are in line with Labs (1998) who argue that. There would be a threat to security and confidentiality. If your company is inventory control processes like payroll, medical transcriptions or other confidential information, a company must be very careful in choosing which process it wants to outsource and to which provider. A possible loss of flexibility in reacting to changing business conditions, lack of internal and external customer focus and sharing cost savings may also be a disadvantage of outsourcing.

5.1.3. Solutions to the challenges encountered in inventory control

The second objective was to establish solutions to the challenges encountered in inventory control management.

The solutions to the challenges encountered in inventory control management of were seen to include.

Identify several outsourcing alternatives, Review and strengthen the outsourcing alternative, understand and determine cost structure, understand and engage expert team, Develop vigorous requests for proposals. If the above is critically put into place organizations will be able to operate with in logistics functions with less harm caused on the general operations.

5.1.4. Relationship between inventory control and organizational performance.

In line with the third objective which set to establish the relationship between inventory control and organizational performance, it is clear that basing on the 72% of the respondents who strongly agreed with the points of relationship raised by the researcher. The points of relationship were.

Minimal loss due to deterioration, increased market share because of concentrating on core business, improves company reputation, smooth operation due to minimal interruptions to core business and adoption of global markets. That is key indicators of performance.

5.2. Summary

Some conclusions were drawn after the analysis of data collected during the study concerning inventory control and organizational performance at mukwano Group of companies. These conclusions were based on the research questions of the study.

Based on the study finding it is clear that mukwano Group company's practices inventory control and of key importance according to the respondents.

- It was found out that the key aspects of importance that inventory control render to mukwano Group companies is concentration on core

business because of less interruptions to non core activities and reduction of costs plus more others as enumerated above.

- The researcher found out that inventory control in mukwano Group companies encounter a series of challenges among which include, unexpected cost, failure to execute obligations, loss of confidentiality, loss of managerial control managerial control among other challenges.
- In line with the challenges the respondents proposed a ranged of measures in form of solutions can be taken to reduce on the challenges encountered and they included Identify several inventory control alternatives, Review and strengthen the inventory control alternative, understand and determine cost structure, understand and engage expert team, Develop rigorous requests for proposals.
- The findings established that indeed inventory control played a significant role in affecting the productivity in form of performance of the company most of the respondents especially those in the procurement department felt that if less stringent measures were put in place regarding the inventory control, then this would go along way into streamlining the issues in regard and issues like, minimal loss due to deterioration, increased market share because of concentrating on core business , improves company reputation, smooth operation due to minimal interruptions to core business and Adoption of global markets were viewed as key parameters of performance.

5.3 Conclusion

According to the objectives set out in this research, the researcher observes that inventory control management has a positive impact on organizational performance as per the evidence showed by the findings of the organization such concentration on core activities, reduced costs, enhancing smooth operations, reputation, increased market share, adoption of global markets which are key avenues of performance . The

findings also brought to the attention of researcher challenges that the inventory control schemes face art Nile breweries and suggested the possible measures to curb the situation so as to effectively line inventory control to increased performance at mukwano Group companies.

5.4. Recommendations

The following recommendations were made.

Inventory control at mukwano Group companies seems to be of importance and is working well so the procurement department and the entire company administration should review the parameters that make the current system work well and the points of challenges so as to appropriate measures that are key in streamlining the operation of the schemes so as to achieve value for money.

In line with the challenges faced in operating the scheme the researcher recommends that there should be a strong coordination of activities right from sourcing so as to establish a reliable contractor for a scheme this should be followed by linking the managerial capacities of both companies so as to have a coordinated and well managed scheme for the operation of the organization.

Mukwano Company should also stipulate in clear terms the roles and responsibilities of the contractor in the contract (local purchases order so as to avoid contradictions in roles and responsibilities pertaining the operations.

The researcher also recommends that the management of the mukwano Group of companies should adopt the measures raised by the respondents so as to clearly establish a route of operation for the organization

5.5 Areas of further study:

1. Just in time inventory management and organization performance
2. Inventory control and customer satisfaction
3. Inventory control and competitiveness in procurement.

APPENDICES: APPENDIX I RESEARCH INSTRUMENT

QUESTIONNAIRE

Dear respondent,

I SANDE CHARLES. a third year student of Kampala international University pursuing a Bachelors of supplies and procurement management,

I am carrying out a research with the topic: inventory control and organizational performance a case of mukwano Group of companies

This questionnaire is purely for academic purposes and the information will be kept confidential.

PART A: GENERAL INFORMATION

1. Job Designation (title).....
2. For how long have you been working in the above mentioned position?
(Give the answer in
Years).....
3. Sex.....
Male Female
4. In which age bracket are you?
18-27 38-49
28-37 50+
5. Educational level
Diploma Degree
Post graduate Masters

PART B

Is inventory control a key aspect of operation in your company?

Yes

No

Not Sure

Is inventory control of importance to your company?

Yes

No

If yes is it important in the following ways

(1- Strongly Agree, 2- Agree, 3 – not sure, 4 Disagree, 5 strongly disagree)

Tick the appropriate box.

Benefits derived from inventory control	1	2	3	4	5
Better quality through skilled expertise					
Capacity management					
Lower costs					
Improving customer service					
Increased productivity and efficiency					
Concentration on core business areas					
Risk divisibility and or transfer					

If there are any other ways in which outsourcing is beneficial to mukwano company limited, please mention them.

PART C

10. What are some of the likely challenges encountered in outsourcing in mukwano Group Companies?

(1- Strongly Agree, 2- Agree, 3- Not sure, 4 – Disagree, 5 strongly disagree)
Tick the appropriate box.

Challenges faced in inventory control	1	2	3	4	5
Unexpected costs					
Difficulty to reverse					
Damage to reputation					
Loss of confidentiality					
Loss of managerial control					

If there are any other ways challenges encountered inventory control in mukwano Group companies, please mention them.

.....
.....

11. What are the possible solutions to the challenges encountered in inventory control?

(1- Strongly Agree, 2, Agree, 3- Not sure, 4- Disagree, 5- Strongly disagree)
Tick the appropriate box.

Solutions to challenges faced in inventory control	1	2	3	4	5
Identify several outsourcing alternatives					
Review and strengthen the inventory control Alternative					
Understand and determine cost structure					
Understand and engage expert team					
Develop vigorous requests for proposals					

If there are any other solutions that can be adopted to encounter the challenges faced please mention them.

PART D

12. Does inventory control have an effect on the general performance of mukwano Group companies?

Yes

No

Not Sure

1. If yes, does it impact on performance through the following ways?

(1- Strongly Agree, 2- Agree, 3- Not sure, 4- Disagree, 5 - Strongly disagree) Tick the appropriate box.

How inventory control impact on performance	1	2	3	4	5
Improves company reputation					
Adoption of global markets					

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