

**THE IMPACT OF INVENTORY MANAGEMENT SYSTEMS ON THE
PERFORMANCE OF BUSINESS ENTERPRISES IN UGANDA:
A CASE STUDY OF UCHUMI SUPERMARKET
IN UGANDA**

BY

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**A RESEARCH REPORT SUBMITTED TO THE FACULTY OF BUSINESS AND
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UNIVRERSITY

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DECLARATION

I, APIO DOREEN declare that this is my original work and it has never been produced by anyone in any other institution of learning or university.

Name of the student: APIO DOREEN

Signature of student..... Apioreen . 01/July/2011.

APPROVAL

I certify that, APIO DOREEN carried out this research under my supervision.

Name of the supervisor: MR. BARAZA HENRY OCHIENO

Supervisor's signature.  1/7/2021

DEDICATION

I dedicate this book to my Dad Mr. Odoi Joseph, my Mummy Mrs. Odoi Mary Stella, Mr. Robert makune, the entire family of the late Valentine Owor Okuchu, My Bothers and Sisters with all my love and appreciation for their support. I thank them for their prayers and words of encouragement.

ACKNOWLEDGEMENT

I gladly appreciate and acknowledge number of people who helped me in different ways.

I would like to thank God for giving me wisdom and the spirit to endure.

I would not have made progress if it was not for my supervisor Mr. Baraza Henry Ochieno, I appreciate the contribution he put through giving adequate instructions during the study but also went an extra mile to offer valuable suggestions comments and criticism which helped in the production of this work.

I would like to thank my friends Robert and others for their support and sacrifices they made to make me reach where I am. Without them I wouldn't have made it this far.

May the Almighty God bless you all.

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LIST OF ABBREVIATIONS

EOQ	:	Economic Order Quantity
FIFO	:	First In First Out
LIFO	:	Last in First Out
ABC	:	Always Better Control.

ABSTRACT

The study was conducted in order to investigate the impact of inventory management systems on the Performance of business enterprises in Uganda; Uchumi supermarket was used as case study. The Study sought to determine objectively; to find out the effect of inventory management on performance, To identify the methods used in managing inventory levels, to investigate the effects of stock levels and Records on performance.

The literature review was conducted with the aim of establishing and shading more light on inventory Management and its impact of performance, the area under study. It explained the process adopted by Business enterprises activities.

The researcher collected the necessary using questionnaire and interview methods of data collection. The data was tabulated and then analyzed in order to draw inference from the data collected. The Information collected from the respondents through questionnaires and interview guide questions were used in order to answer the objectives of the study.

The research study contains field findings, and it was found out that, Uchumi supermarket does not hold any stock of inventory inform of raw-materials where as the company deals in finished products, Semi--processed products ,goods for resale and intermediate goods as they are used for production of

Other goods before they have reached their final stage of consumption, also an assessment of the effects were as follows, interviewees attributed to the short expiry dates which may lead to losses as

Such goods may stay in stock without being sold of where as others attributed that as goods are stocked and restocked returns keep on increasing inform of sales' maximization.

The study concluded that the inefficiencies in the inventory management system of Uchumi supermarket have worked against the company's performance. In the interest of generalization of the study findings and in line with the available literature, inventory management affects performance.

Finally, a number of recommendations were suggested by the researcher, that is; the company should as much as possible ensure that it voids inadequate inventories or excessive inventories. This can only be achieved if it sets specific levels for minimum and maximum stock levels.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

The study was undertaken to investigate the impact of inventory management systems on the performance of business enterprises in Uganda. This chapter presents the background, statement of the problems objectives of study, scope of the study research questions and significance of the study.

1.1 Background of the study

Inventory management refers to the various techniques and controls used to ensure that any stored resources used to satisfy current and future needs of the organization are in right place at the right, in right quantity.

The different types of inventories include raw material, work in progress inventory, finished goods and supplies such stationary etc.

The inventory management techniques that can be used in managing inventories include;

The economic order quantity (EOQ) approach. The just in time approach, the activity based Costing technique, re-order point.

Business performance refers to the measure of returns on an investment and performance is one of the most measures of business performance. The challenge of the manager is how much Inventory to keep. Too much inventory creates cost mounting to storage and other kind of carrying cost. Yet too little inventory can lead to interruption in production and sale. Leading to losses hence, affecting organization performance.

According to Pandey (1995) inventory is stock of the product a firm is manufacturing for sale and the components that makes up a product. Finn hold inventories in form of raw materials, Work in progress, finished goods and supplies.

These inventories facilitate smooth production and sale operation, guard against the risk of unpredictable changes in usage rate and delivery time and take advantage of quantity discount and price frustrations.

In managing inventory, the firm's objectives should be in consonance with the wealth Maximization principle. To achieve this firm should determine the optimum level of inventory.

Efficiently controlled inventories make the firm flexible and thus leading to increasing level of Mismanagement for the firm and its performance (Pandey 1997).

According to the auditor's report, stated that the major cause of fall in levels of performance is mismanagement of inventories for examples stocks are being stolen by untrust worthy workers.

Some other problems also related to delay in production which might also be a poor inventory Management system. Inventory management has an impact on business performance.

1.2 Statement of the Problem

The management of Uchumi supermarkets has tried all different approaches of managing Inventories because inventory since is the common thread that ties all functions and department of the firm together thus improving on the performance of the firm. Such approaches include Perpetual, economic order quantity; vender managed inventory, re-order point technique, first in First out (FIFO) and last in first out (LIFO).

However the firm's records still show problem related with inventory such as pilferage, theft, and under stocking of inventories, high cost related to inventory management systems and mismanagement of information (Birnberg, 1989). Basing on the above evidence, it is questionable whether the inventory management system is effective hence requiring an investigation.

1.3 purpose of the study

The overall goal of the study was to assess the impact of inventory management on the performance of business enterprises in Uganda.

1.4 Objective of the Study

- (i) To find out the effect of inventory management on performance.
- (ii) To identify the methods used in managing inventory levels.
- (iii) To investigate the effects of stock levels and records on performance.

1.5 Research questions

- (i) What are the effects of inventory management on performance?
- (ii) What methods are used in managing inventory levels?
- (iii) What is the effect of stock levels and records on organization performance?

1.6 Geographical Scope

The study carried out on Uchumi supermarket which has branches all over East Africa and being the leading shopping centre in Nairobi but the researcher concentrated on the branches in Uganda located at Garden City shopping centre and Game shopping centre at Lugogo along Jinja Highway in Kampala district, because they were easy to access.

1.6.1 Subject scope

The study focused on inventory management as the independent variable, performance as the dependent variable and the effect on inventory management on business enterprises since the two are interlinked.

1.6.2 Period scope

The study lasted for a period of three months and focused on the operations of Uchumi Supermarket between 2001 and 2005.

1.7 Significance of the study

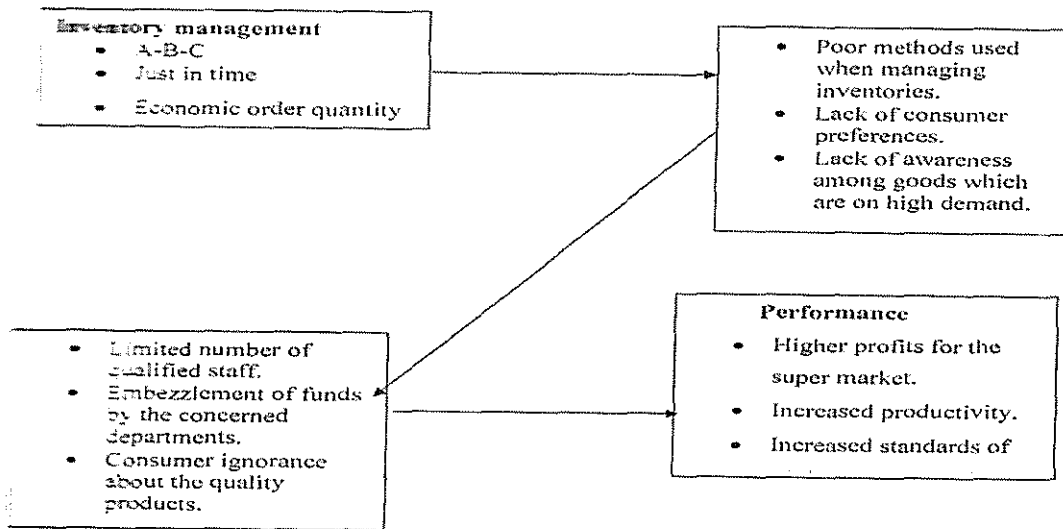
i) the research will benefit all the shopping centers in the country especially supermarkets on How to improve on inventory management system that are already in place in order to achieve their set objectives.

ii) The study in general will also help the researcher to clearly understand inventory management system in practice as he attains his bachelors' business course from the university.

iii) The study will add more knowledge to the existing literature on inventory control and will further be used by future academicians who would wish to expound more on the area of study for reference.

1.8 Conceptual Framework

1.8 Conceptual Framework



Source: Literature review

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Under this chapter, the study reviews the available literature and brought out the knowledge about inventory management, performance and the relationship between inventory management and performance as discussed below.

2.1 inventory management

2.1.1 Definition of inventory

According to Walgembach et al (1982), inventories are the merchandise owned by the company and held for resale to customers in the ordinary course of business. Pandey (1998) concurred and added that inventories are classified as current assets because typically they will be sold within the year or during a firm's normal operating cycle if it should be longer than a year for retailing firms. Inventories are often the largest and most valuables current assets.

Other scholars like Dopuch et al (1989), Lucey (1994), and Van Horne (1995) agree with other Scholars in their definition of inventories as noted above and noted that inventories are raw work in progress and finished goods in a typical manufacturing setting, stock in transit, in "backrooms" and on shelves are inevitable.

Kilby (2001) defined inventories as stocks of the product a company is manufacturing for sale and components that make up that product.

2.1.2 The Need for Inventories in the organization's Operations

According to Kakuru (2001), if production and delivery of goods were instantaneous, there would be no need for inventories except as a hedge against price changes. Horngren (1982) and Kakuru (2001) noted that despite the marvels of computers, automation and scientific Management the manufacturing and merchandising process still do not function quickly enough to avoid the need for having inventories. Inventories

must be maintained so that the customer May be immediately or at least quickly enough so that he/she does not turn to another Source of. In turn, production operations cannot flow smoothly without having inventories of direct materials, work in progress, finished goods, parts and supplies.

According Kilby (2001), most well managed companies find it necessary and desirable to maintain large varied inventories. The prevailing affluence of our society and the related buyer habits now considered customary have probably made large, variable inventories an operating necessity for most retailing firms.

Walgembach et al (1982) noted that the business factors could justify the existence of relatively Large inventories The only way a firm can sell more in a period that it can purchase or produce is Having beginning inventories. Beginning inventories are particularly important to seasonal industries or markets.

Morse (1981) and Lucey (1991) also noted that many firm especially those that sell in seasonal Markets buy in excess of their needs when supply prices are favorable. They store the goods for a period of time and then maintain sales during the period of unfavorable supply price.

Dopuch et al (1989) noted that inventories are crucial in every business organization. The reason is that they are cushions;

- i) To absorb planning errors and unforeseen fluctuations in supply and demand and,
- ii) To facilitate smooth production and marketing operations.
- iii) To facilitate smooth production and marketing operations.

Dopuch et al further noted that inventories help to isolate or minimize the interdependence of all Parts of the organization (for example, departments or functions) so that each may work effectively. For example many parts and subassemblies may be

purchased or manufactured, Stored and used as needed. This avoids nerve-racking reliance on the pinpoint timing of Deliveries from others.

According to walgembach et al (1982), the availability of attractive quality discounts may justify buying in excess of its current sales requirements and therefore creating additional Inventories

Since inventories are needed to satisfy the needs of customers and to ensure smooth operations

Most organizations maintain substantial investments in a large number of inventory items (Morse, 1981) Because of the tremendous detail involved in separately reviewing each item, Inventory decision must be based whether on the judgment of clerks or on formal policies established by management and thus inventory controls should be observed.

2.1.3 Reasons for Managing Inventories

According to Morse (1981), inventory management is an extremely important but difficult task. Inventories being an important element in the production and sales processes they must be properly managed to ensure smooth operations.

According to Morse (1981), Homgren (1982), Lucey (1991) in profit making organizations, Inventory management is necessary to ensure that the organization overcomes the costs of Keeping and to maintain an optimum level of inventories if such organizations are to Remain profitable The scholars agreed that the most common costs associated to investment in Inventories are ordering costs; carrying costs and stock-out costs and these can only be overcome By maintaining an optimum level of investment in inventory.

a) Ordering costs;

These were defined as costs of acquisition and transportation of the raw materials (Lucey, 1991 and Horngren 1982). The ordering costs usually consist of clerical costs of preparing a purchase Order or production order and special processing and receiving costs relating to the number of Orders processed.

Morse (1981) agreed with other scholars and added that ordering costs include incremental costs of processing the requisition for goods (prepared by the storeroom and sent to the purchasing department, the purchase order, the receiving reports, and the voucher (prepared by the treasurer's office).

b) Carrying costs:

According to Lucey (1991), these are the costs incurred on maintaining a given level of inventory and they include; material handling costs, insurance, pilferage and obsolescence costs. Usually, these costs are affected by such factors as insurance, personal property taxes, variable storage costs, deterioration and obsolescence, in the case of fixed costs such as depreciation and property taxes or storage facilities, they should be included elsewhere, holding costs/carrying costs should also include an imputed opportunity costs (Morse, 1981). Morse observed that the interest rate on borrowed money is frequently used as the imputed opportunity cost. However, the rate of return management desires to earn on inventory investment in a better choice.

c) Stock out Costs

According to Morse (1981), Kilby (2001) and Dopuch et al (1989), these costs are incurred when a firm has inadequate stocks and yet an item is demanded. They result from under stocking and short deliveries and lead to missed opportunities as well as consumer dissatisfaction. This makes it crucial for the organization to maintain an optimum level of inventories and thus the need for an effective inventory management system.

d) Optimum inventory level

According to Pandey (1995), usually there are two danger points that management always wants to avoid and the optimal level of investment in inventories lies somewhere between them. They noted that the first danger point is that of inadequate inventories, which disrupts production and may lead to loss of sales, while the second danger point is that of excessive inventories, which may lead to unnecessary carrying costs and obsolescence risks.

Therefore, in organization where inventory management is effective, the management will always average out the two extreme ends and get the optimal investment in inventories. To achieve this, some techniques were developed.

2.1.4 Inventory Control Techniques

Pandey (1995), Morse (1981) and Walgembach et al (1982) concur that the major goal of inventory management "is to discover and maintain the optimum level of investment in all types of inventories, from raw materials and supplies to finish goods". The scholars suggest the following techniques for any effective inventory management system;

A-B-C Approach to inventories

The scholars noted that, the ABC approach to inventories enables several different methods of inventory management to be applied to the same inventory. It is based on the premise that in most inventories, a small percentage of items account for a large percent of the annual dollar usage. At the other extreme, a large percent of the inventory items accounts for a small percent of the annual dollar usage. This analysis enables management to place its efforts where the results will be greater and therefore sometimes referred to as "Always Better" control. It helps management to ensure optimal and profitable investment in inventories.

Just in time

Just in time is a system that aims at producing the required items of quantity at the exact time specified. This system assumes exact inventories. In this case, holding costs will not arise and obsolescence costs will be highly reduced.

Performance

Business performance is the justification of its good performance. Indeed the profits of a business are the end results of operations and an indication of its good performance (Griffith, 2001).

According to Hermanson et al (1987), performance is the organization's ability to generate income. Performance must be reflected on in income statement of the organization to certify that the income generated is greater than the input cost.

According to Musumeno (2001), the principle motivating force in any business is performance. Musumeno noted that, although profit maximization is not the only motive in business, it is the most important.

Therefore, there should be adequate returns on capital invested if any business is to be considered successful. The argument for this was that the success of any business basically depends on the performance that it enjoys.

2.2 Relationship between Inventory Management and Performance

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 the value attributed to inventory management, two cardinal decisions must be faced: if the inventory management system is to ensure profitable operations that is,

- i) How much we buy (or manufacture) at a time?
- ii) When we buy (or manufacture)?

According to Pandey (1998), in many cases where inventory management decisions 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 models are designed to achieve a balance between the costs of acquiring and holding inventory. The costs are the ones that affect organizational performance (Kakuru, 2001; Dopuch et al, 1981; Morse, 1981). The models are developed in order to help management maintain inventories at 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 at minimum inventory costs. They specify the economic order quantity and re-order point and if well observed, companies earn profits (Morse, 1981).

2.3 Economic Order Quantity and Performance

According to Homgren (1982), Lynch (2005) and Pandey (1998), economic order quantity is the quantity 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 and will ultimately have a bearing on performance. For instance, if a few large orders are placed, annual ordering costs will be low, but annual holding costs will be high.

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 if increasing the order size to obtain large volume discounts and slight lowering costs will be more offset at a higher holding cost. The scholars agreed that performance will only be achieved at optimum level of relevant costs i.e. holding costs and ordering costs.

2.3.1 Re-Order Point and Performance

According Lynch (2005) like Pandey (1995), this is the level at 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 an order is placed and inventory demand during the lead time. Morse (1981) agreed with other scholars and further observed that, because of the variation in lead-time and the daily demand for inventory, inventories are a cushion 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 include the extra costs of processing back orders and opportunity cost of lost sales. While the 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 performance of an organization remains fragile if no proper controls are considered greater if dissatisfied customers subsequently patronize other establishments. In this case, the performance of an organization remains fragile if no proper control is ensured.

2.4 Conclusion

The available literature suggested that inventory management has an influence on organizational performance. In cases where inventory management was recorded to be strong, it was discovered that the costs associated to ordering and holding of inventories were at their minimum level leaving the profit figure high. Contrary, where inventory management was recorded to be weak, inventory costs were observed to be high thus reducing performance. The available literature indicated that performance can only be guaranteed at an optimum level of inventories.

The scholars however indicated that it is not always easy to determine the optimum level of inventories. The available literature never indicated whether Uchumi supermarkets were having problems of inadequate or excessive inventories. This made it more necessary for the researcher to continue and conduct this study.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter provides description of how the study was conducted. It brought out the research design, sample characteristics, sampling strategies, data collection methods, data type and source, data quality control, data analysis techniques, anticipated limitations of the study and a summary.

3.1 Research Design

The study used a descriptive research design which employed both quantitative and qualitative methods for the purpose of making valid conclusions. Quantitative design which is classified in two broad categories, that is; experimental and general survey design examined the impact of inventory management systems, as an independent variable where as qualitative design involved the use of questions to obtain views from the respondents.

3.2 Sample Characteristics

Data was collected from Uchumi supermarket in Kampala. This was in line with the study topic that studies inventory management and performance in Uganda where the company is operating within the area.

3.3 Sampling Procedures

Sampling is the process of selecting units (e.g. people, organizations) from a population of researcher's interest so that by studying the sample, the researcher may fairly generalize his/her results back to the population from which they were chosen. Types of sampling to be employed in this research include; random sampling and purposive sampling Cas, (2006). The researcher will purposely select Uchumi at garden city and a branch from Lugogo, where workers provide shopping facilities; the researcher will randomly sample these two branches.

3.3.1 Sample Population

The researcher was able to identify attendants who are actively involved in shopping facilities. The researcher from the many attendants randomly sampled 45-60 attendants for the study. These people represented the two branches

3.3.2 Sampling Techniques

The study used both random sampling and purposive sampling procedures. Purposive sampling was used to select different activities in the area of investigation in order to get the required data and information. Random sampling was used because respondents have equal chances of being selected.

3.3.3 Sample Size

They comprised of both sexes but of different marital statuses and age groups and the study will use 60 respondents. This was intended in order to get a variety of views and unbiased response which made the study a reality. Also this sample size was selected because, Sutton and David, (2004), state that a sample size should not be less than 30.

Beyond basic description it would be difficult for the researcher to under take more complex statistical analysis, as most of these analyses require a minimum sample of 30.

3.4 Procedure

After the approval of the proposal by the responsible authority at the Faculty of Business and Management, the researcher got an introductory letter from Kampala International University to progress to the field for data collection.

3.5 Data type and Source

Data was got collected from both primary and secondary sources. Secondary data was got from text books, magazines, journals, the internet and already existing research

work in order to make valid conclusions. Primary data was got using primary data collection tools; questionnaires and interviews.

3.5.1 Data collection Methods! Instruments

The researcher collected both primary and secondary data using questionnaires, personal interviews for primary data and also through reviewing documents and abstracting data from text books, journals, internet and already existing research work for secondary data,

3.5.2 Observation

The researcher observed what was taking place. Through participant observation, it was observed that farmers in the area still use cashier machines. This instrument is good for the researcher because it associated with participatory research and it was not biased since the local residents

Who would have given false information about some aspects of the study were not involved.

3.5.3 Questionnaires

This involved the use of both self-administered questionnaires and semi-structured questionnaires, where by a researcher had to design questions in line with the topic of study. This helped the researcher to get attendant's attitudes as far the shopping malls are concerned.

3.5.4 Documentary Review

A part from this, the researcher obtained more information regarding the impact of inventory management systems by reading newspapers, journals, text books plus the already existing work on internet and magazines

3.6 Data analysis techniques

The collected data in form of questionnaires was entered in a computer package called MS-Excel for analysis.

3.6.1 Methods of Analysis

a) Tables

Tables are the most common method of presenting analyzed data. Tables offer a useful means of presenting large amounts of detailed information in a small place. Frequency distribution tables in this case were used where by response values are summarized in a table.

Frequency distribution table measurements are grouped into classes, Then the number of measurements for each class is reported. The totals for each class are called the frequency of the responses for that class. Frequency distribution tables present the frequencies or counts of the occurrence of each value (class or category) of a variable.

b) Graphs

The main objective of graph is to present data in a way that is easy to understand and interpret, and interesting to look at. Common types of graphs include; bar charts, histograms, frequency polygons, scatter graphs and cumulative frequency polygons. For this research, bar charts and pie charts were used to present the collected data.

A bar graph is a visual display used to compare the amounts or frequency of occurrence of different characteristics of data. This type of display allows us to:

- compare groups of data, and
- To make generalizations about the data quickly

Bar graphs are used to compare changes in given quantities or values and to show the relationship of these quantities to on another.

A pie chart is a graphic display of data that depicts the differences in frequencies or percentages among categories of a nominal or ordinal variable.

3.7 Limitations and solutions encountered during the study

In the study the following limitations were met:

The major limitation of the research was inadequacy of financial resources. Visiting the different libraries and the supermarket for data collection several times turned out to be expensive in terms

of transport; however this was solved by the obtaining extra funds from family members, good friends.

There was mounting pressure from the administration for students to complete the research on schedule which affected the quality of research.

The study w required a lot of time to be dedicated to collecting substantial data from one respondent to another making observations, continuous review of literature, data analysis and report writing and this was worked out by devoting more time on the research work by reducing on the leisure time at her disposal.

Some of the targeted respondents were not willing to set aside time to respond to the investigator's questions thus some how end up frustrated the researcher's efforts to collect substantial data. The researcher faced a problem of some rude and hostile respondents, this was as well solved by both seeking prior permission and remaining calm.

CHAPTER FOUR

4.0 PRESENTATION, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1 Introduction

This chapter shows how the collected data was analyzed and interpreted. The data filled in the questionnaires was copied and analyzed by tallying it and tabling it in frequency tables identifying how often certain responses occurred and later evaluation was done. The information was later recorded in terms of percentages. The recorded data was later edited and interpreted which ensured uniformity, legibility and consistence. Also, interview results were coded on frequency tables which was calculated in terms of percentages and presented in this study as illustrated below.

4.2 Background Characteristics of Respondents

Respondents were asked to state their sex and the results are shown table I.

Table 1; Classification of students by sex

Sex	Frequency	Percentage
Female	35	64
Male	25	36
Total	60	100

Source: primary data

During the field study, it was found out that, the biggest number of respondents were females as it was represented by 64% and 36% of the interviewees were males, implying that, females to a greater extent participated in the study and this was intended in order to get a variety of views and unbiased responses which would made the study a reality.

Table 2: Classification of respondents by age

Age	Frequency	Percentage
19-21 years	17	24
22-25 years	23	46
25 + years	20	30
total	60	100

Source: primary data

Table 2 shows that the biggest percentage of the respondents were in age bracket of 22-25 years, where as 24 % represents employees who were in the age bracket of 19-21 years, then 30% of them were in 25 years and above, implying that the supermarket employs to a greater extent people in the age bracket of 22-25 years because they are still energetic and can work for long hours.

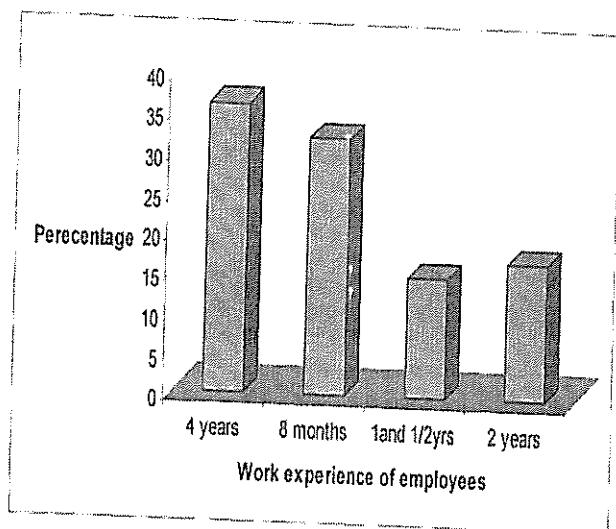
Table 3; Respondents' marital status

Marital status	Frequency	Percentage
Single	15	20
Married	11	16
Divorced	0	0
Separated	10	14
Living with partner	25	50
Total	60	100

Source: primary data

An assessment of the respondents' marital status was as follows; the biggest percentage of the respondents were found to be living with their partners as shown by 50% where as 20% of the interviewees attributed to be single, 16% of them said that they are married as illustrated in table 3 above, implying that majority of the employees in the supermarket have responsibility and can be trusted when handling big sums of money on behalf of the supermarket.

Figure 1: Work experience of employees at Uchumi supermarket



Source: primary data

During the study, it was discovered that 36% of the interviewed employees had spent 4 years in uchumi supermarket, 32% of the respondents had worked with uchumi for 8 months where as the least percentage of 15 and 17 had worked with the company for one and half years and 2years respectively as illustrated above in the figure.

Table 4: Form of Inventories held at Uchumi supermarket

Inventories held	Response
Raw material	No
Semi-processed products	Yes
Finished products	Yes
Intermediate goods	Yes
Goods for resale	Yes

Source primary data

It was found out that, Uchumi supermarket does not hold an stock of inventor inform of raw- materials where as the company deals in finished products, semi-processed

products ,goods for resale and intermediate goods as the are used for production of other goods before the have reached their final stage of consumption, as showed in the table above.

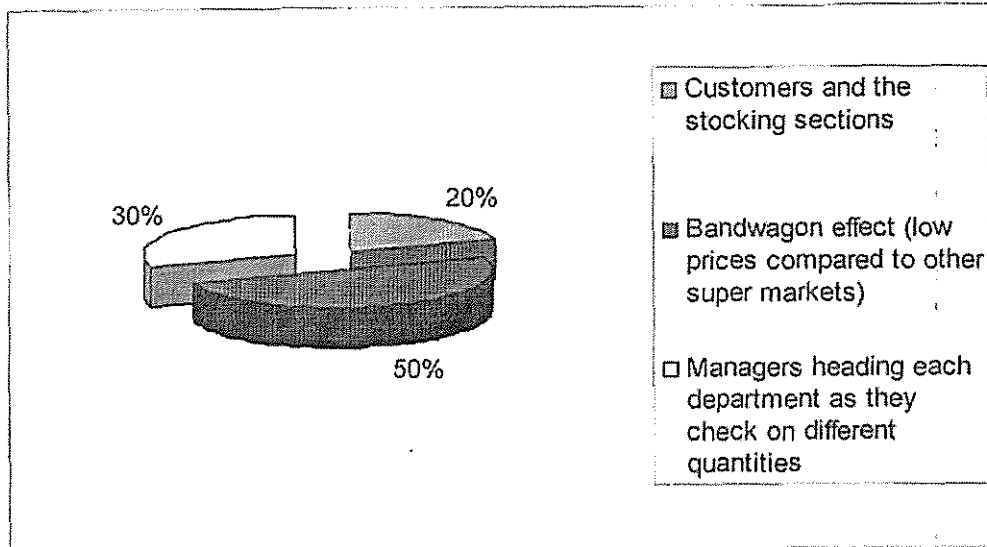
Table 5: Reasons as to why Uchumi supermarket holds such forms of inventories

Responses	Frequencies	Percentage
Most of their customers deal in products thus goods for home consumption	15	37.5
People are interested in finished goods	10	25
Since it is a profit maki9ng company, it is a retail and wholesale company that is buy and sell	10	25
Because they import finished goods	05	12.5
Total	40	100

Source: primary data

Different views were given by respondents when interviewed, close 38% of the respondents attributed to most of their customers buy goods for home consumption, then 25% of the respondent said people are interested in finished goods which are ready for consumption like milk, drinks among others and also Uchumi being a profit making company it both retails and wholesales goods which are held in different forms of inventories where as over 12% of the respondents attributed to, that they only import finished goods hence stocking them as they are

Figure 2: Factors which determine what, when and how to purchase.

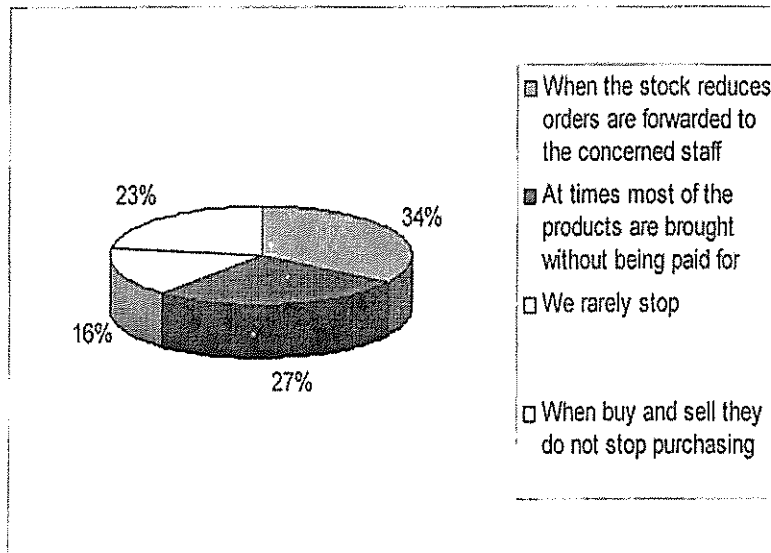


Source: primary data

Source: primary data

20% of the respondents in the field attribute to customers and the stocking sections determine what and when to purchase goods, that is, when the demand is high the sales also increases while the biggest percentage of 50 emphasized that, there is a tendency when customers buy a product after seeing it with other customers (bandwagon effect) and 30% of the employees said that managers heading different departments in the company keep on checking in stores for the stocks available.

Figure 5: Factors which determine when to order for new stock of inventories



Source: primary data

During the study in the field, a frequency close to 40 of the interviewees emphasized that, when the stock reduces, orders are made and forwarded to the concerned staff in the socking section, then 30 respondents said that at times most of the goods sold are brought without payments, implying that, they can hoard goods when the old stocks are still in stores while, 25 respondents and close 20 respondents said that, they rarely stop stocking since they buy and sell goods as showed in the figure above.

Table 6: Reasons as to why Uchumi supermarket is a profit making company

Responses	Frequencies	Percentages
Because since it started it has been doing well, apart from the fire incident in 2006	15	37.5
The company supports other branches in Kenya and uchumi pays 75% of the debts of the branch in Uganda and Kenya	17	42.5
Has a big number of customers most of them being foreigners thus leading to a greater foreign exchange	08	20
Total	40	100

Source: primary data

Various views were given out for the justification of Uchumi as a profit making company, in that over 35% of the respondents said that, since it started it has been doing well, apart from the fire incidence they experienced in 2006 but still it was compensated by insurance companies, then other employees attributed that it makes profits because Uchumi supports other branches in Kenya and the company pays 75% of the debts on behalf of the branches in Kenya and Uganda and any reason was that, the company has a big number of customers most of them being foreigners who provide a lot of foreign exchange.

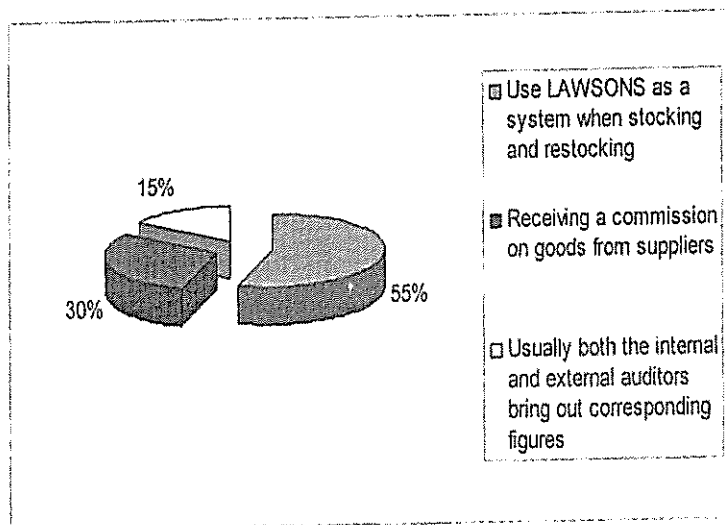
Table 7: Effects of inventory management on Uchumi's profits

Responses	Frequencies	Percentage
Because you can stock, then realize that goods have short expiry dates thus affecting profits	10	25
As goods are stocked and restocked it increases on the level of performance	12	30
Fragile goods (glasses TV sets, affect profits when they break	14	35
Non moving items affect its profits	04	0
Total	40	100

Source: primary data

An assessment of the effects were as follows, 25% of the interviewees attributed to the short expiry dates which may lead losses as such goods may stay in stock without being sold off, where as 30% of them attributed that as goods are stocked and restocked returns keep on increasing inform of sales' maximization, then 35% said that sometimes fragile goods break as they import them in the country like television sets, glasses among others thus reducing the company's level of profits.

Figure 6: Reasons as to why staff members are satisfied with inventory management system at Uchumi supermarket



Source: primary data

During the study, it was discovered that Uchumi supermarket hood inventories from suppliers and sell them on behalf of them and receive a commission which increases on the company's profits as witnessed by a percentage of 30 respondents and the company uses a system called LAWSONS when stocking and restocking which involves viewing and analyzing quantities of goods in different sections which appropriate for them, and 15% of the respondents emphasized the work of both internal and external auditors tallying with the sales made monthly thus inventories being fairly managed.

Table 8: Suggestions to Improve on inventory management at Uchumi supermarket

Responses	Frequencies	Percentage
Introduce a manual system of stocking goods	20	50
Carry out market research on goods absent in uchumi yet existing else where	08	20
Review the salary scale especially at lower level of their employees	12	30
Total	40	100

Source: primary data

Among the numerous suggestions put forward by the respondents during the study were as follows, 50% of them emphasized on the introduction of manual system of stocking goods instead of the existing one (LAWSONS) , then 20% of the respondents said that, there is need for market research on goods absent in Uchumi Supermarket, yet existing in other supermarkets like, in Shoprite, capital shoppers among others, and 30% of them emphasis was on the increase on the salary scale especially at lower levels.

Figure 7, Description of inventory management of Uchumi supermarket

When workers were asked to comment on the level of inventory management in the supermarket, 50% said its very effective, 44% said its effective and only 5% attributed not being about how they are managed as show in the figure below.

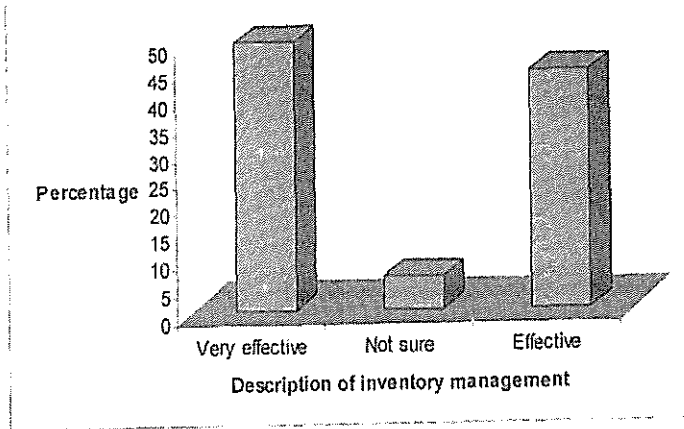
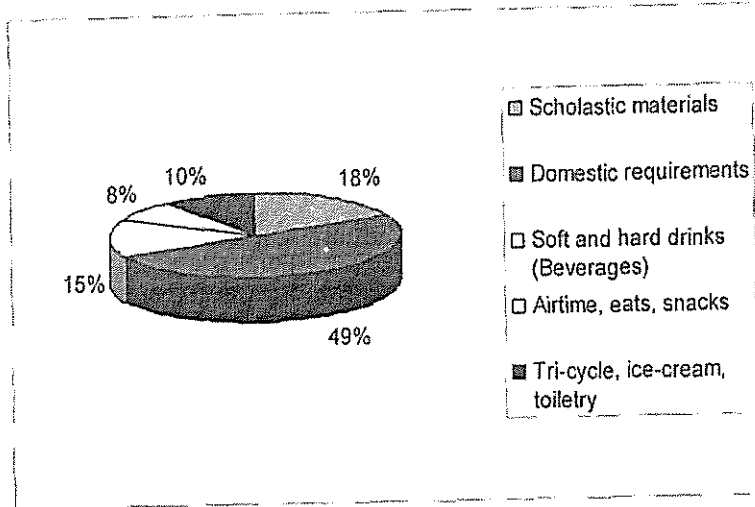


Figure 8 Products sold by Uchumi supermarkets



Source: primary data

... 100% of them said they usually buy

Among the customers interviewed during the study, 18% of them said they usually buy scholastic materials from Uchumi that is, books, reams of papers, colored pencils among other, whereas 50% of them deal in domestic requirements like utensils, cooking oil, packed meat and chicken among others and 15% of the respondents emphasized on soft and alcoholic drinks like, wine, beers, and juice, then 10% go to uchumi to enjoy ice-cream as illustrated above in the

Table 9: Problems faced by uchumi supermarket customers

Responses	Frequencies	Percentage
Sudden changes in prices	14	35
Absenteeism of some workers in packaging goods	11	28
Some goods are hidden and a customer can not easily reach them on time	15	38
Total	40	100

Source: primary data

Some of the interviewed customers' views were as follows, 35% said that there is a tendency of price fluctuation on some goods especially during some celebrated days which affects their purchasing power, 38% of them attributed to some goods not being properly displayed for customers to reach them easily in time, and 28% of them accounted for the delays and absenteeism of attendants who pack goods which incontinences.

Table 10: Possible measures to overcome such problems

Responses	Frequencies	Percentages
Introduce a computerized system of stocking goods i.e. which can evaluate and analyze	17	43
Emphasis on research for their market products	10	25
Renovation in the clearing section, billing and technology cash flow machines	13	33
Total	40	100

Source: primary data

43 % of the customers called for a computerized system of stocking goods, which can evaluate the quantity, then 25 % emphasized on efficient research of markets for products and advance new technology in the cash flow machines as witnessed by 33%.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the study findings inline with the study objectives make conclusion based on the findings and recommends for possible improvements and further research.

5.2 Summary of findings

5.2.1 Findings about inventory management of Uchumi supermarket

The study found out that the company does not hold inventories of raw materials at all, but deals in semi-processed products, finished goods and meant to facilitate daily operations.

The company does HOI have specific policies on levels of minimum or maximum stock levels instead these are dictated by seasonality and economic trends.

The study found out that the company does not run out of inventories (finished products) as was indicated by the stock records. The study further identified weakness in delivery of stocks. It was found out that sometimes the order served is different from the goods delivered either in quantities or description. This was an indication that there is some inherent weakness in the company's inventory management system (LAWSON'S).

5.2.2 Findings about Performance

Although it was impossible for the study to establish the actual profit figures, it was found out that the company forecasts sales, which are never met, and the overall sales volume for 2005 was less than hat of 2004 and 2003. These were the indicators of poor performance.

5.2.3 Findings about effects of inventory management on performance

It was discovered that inventory management on performance. It was discovered that inventory management affects performance. In agreement with the available literature, the study found out that due to inadequate inventories the company has lost sales and customers, while due to excessive inventories the company has faced more costs for storage space and that all these negatively affect its performance, in form of breakages of some goods which are fragile and expiry dates of goods with short expiry dates.

5.3 Conclusions

From the study findings backed up by the available literature, the following conclusions were made; Uchumi supermarket holds various forms of inventories.

The company's inventory management system has some inherent weaknesses of inadequate stocks, excessive stocks, excessive stocks and general efficiency in stock flows within the company.

The study concluded that the inefficiencies in the inventory management system of Uchumi supermarket have worked against the company's performance.

In the interest of generalization of the study findings and inline with the available literature, inventory management affects performance.

In case of excessive inventories, more space will be needed resulting in holding costs, while inadequate inventories will lead to loss of sales and customers as the case is with Uchumi supermarket thus negatively affecting performance. The study thus concurs with previous researchers that a company should look for the level of inventories that will not lead to losses (optimum level of inventories)

5.4 Recommendations

The study was to a larger extent successful. Thus the following recommendations were made; Uchumi should streamline its internal controls to reduce physical loss of inventories.

The company should as much as possible ensure that it avoids under stocking inventories or overstocking inventories. This can only be achieved if it sets specific levels for minimum and maximum stock levels with efficient inventory control systems.

The company must also establish the best estimates for lead-time in delivery of products in time as suiting customers' demands. This will boost effectiveness in inventory management.

5.5 Recommendations for further research

Despite the success scored during the study, a raw area remained not fully explained or covered.

The study thus recommends that, further research be conducted to establish;

- The effectiveness of internal controls on inventory management efficiency in Uchumi supermarket.
- The effect of records management on inventory management efficiency in Uchumi supermarket.

These areas must be evaluated further because they seem to be the major promoters of problems of inventory management of Uchumi supermarket.

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APPENDIX 1

QUESTIONNAIRES TO THE CUSTOMERS OF UCHUMI SUPERMARKET

Introduction

My name is apio Doreen a student of Kampala International University. Am carrying out a study about, the impact of inventory management systems on the performance of business enterprises with particular reference to uchumi supermarket in Kampala district. The study is aimed at establishing the performance of inventory management, The outcome of this study will be for academic purpose only. You have been selected to participate in this study. Kindly spare some time to answer these questions.

SECTION A: BACKGROUND INFORMATION

Please tick the most suitable answer.

I. What is your

a) Gender? (i) Female..... (ii)Male.....

b) Age?

c) Education background.....

2. How long have you worked with Uchumi supermarket?

i) Less than 3 years.....

ii) 3-6 years.....

iii) 7-9 years.....

iv) More than 9 years.....

3(a) Uchumi supermarket holds inventories in the following forms (Tick the appropriate answer in the table below)

Form of inventory	yes	No	Not sure
Raw materials			
Semi-processed products/materials			
Finished products			
Products /materials to facilitate production			
Finished goods bought for resale			

(b) Briefly comment on your answers provided in the table above

.....

.....

.....

4. Who determines;

a) What to purchase?

b) When to purchase?

c) How much to purchase?.....

5) (a) Do you have predetermined levels of how much stock of inventory in each

Category should not be exceeded.

I). Yes.....

ii) No.....

(b) If yes, fill in the table below the figures of maximum stock levels. Category of
 Maximum Minimum Not sure Not Confidential

Category of inventory	Maximum stock level	Minimum stock level	Not sure	Not applicable	Confidential
Finished products					
Raw materials					
Semi-processed products					
Goods bought to facilitate operations					
Goods bought for sale					

(c) If No, how do you determine;

I). When to order for new stock?

.....
.....
.....

ii). When you should stop purchasing products?

.....
.....
.....

SECTION B MANAGING INVENTORIES AT UCHUMI SUPERMARKET

(3) For how long has this supermarket been computerized?

.....
.....

(4) That all operational and managerial departments in this supermarket are computerized.

Yes No Not sure.....

(5) That IT costs are so high.

Yes No Not sure.....

(6) The process involves the following costs;

(i) Installation..... (ii) Maintenance

(iii) Initial (iv) Others, Specify.....

(7) ITs usage also involves staff training which increases the costs

- (i) Yes (ii) No (iii) Not sure

(8) Other driving forces that led to the usage of I.Ts in inventory management may include,

- (i) Need for efficient services (ii) Need for accuracy

- (iii) Competition (iv) Globalization

(v) Others, Specify if any.....

(9) "An effective inventory system ensures that the company holds just enough inventories; not excessive and not too little".

(a) In light of the statement above, how do you describe inventory management of Uchumi supermarket?

- (i) Very effective..... (ii) Effective

- (iii) Less effective..... (iv) Not effective

(v) Not sure

10. a) Uchumi supermarket is profit making company .Do you agree?

- (i) Yes..... (ii) No..... (iii) Not sure.....

b) If yes, how do you explain the performance of uchumi supermarket?

- (i) Very good..... (ii) Good.....

- (iii) Poor..... (vi) Very Poor.....

d) Support your answer given 8(b) above

.....
.....
.....

11. Fill in the table below the profit / loss figure of Uchumi supermarket as per the following years;

Years	2001	2002	2003	2004	2005
Profit figure					
Loss figure					

12(a) Do you agree that inventory management has any significant effect on an organization's performance?

- (i) Strongly agree (ii) Agree
- (iii) Disagree..... (vi) Strongly disagree.
- (v) Not sure

b) Comment on your answer in 12(a) above

.....
.....
.....
.....

13(a) Do you think that inventory management at uchumi supermarket affects its performance

- (i) Yes (ii) No.....

b) If yes, how does it affect its performance?

.....
.....
.....

14(a) Are you satisfied with the inventory management system of Uchumi supermarket

- (i)Very satisfied..... (ii)Satisfied
- (iii)Dissatisfied..... (iv) Strongly dissatisfied.....
- (v)Not Bothered.....

b) Briefly comment on your answer 12(a) above

.....
.....

15. What do you think needs to be improved in the inventory management of uchumi supermarket

.....
.....
.....

16. Suggest any possible improvement to such weaknesses

.....
.....
.....

Thank very much for your cooperation