

**INVENTORY MANAGEMENT AND ORGANIZATIONAL
PERFORMANCE A CASE STUDY OF ZANZIBAR INSTITUTE
OF FINANCIAL ADMINISTRATION (ZIFA)**

BY

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DECLARATION

“This thesis proposal is my original work and has not been presented for a degree or any other academic award in any university or institution of learning”.

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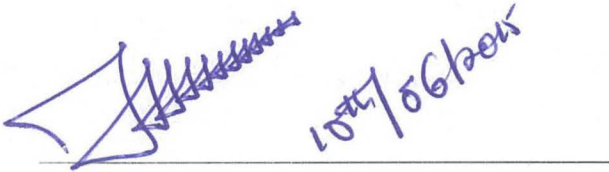
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APPROVAL

“I confirm that the work reported in this thesis proposal was carried out by the candidate under my supervision”.

A handwritten signature in blue ink, appearing to be 'Richard Masaba', is written above a horizontal line. To the right of the signature, the date '10/11/2016' is written in blue ink.

MR. MASABA RICHARD

Name and Signature of the supervisor

DEDICATION

This Research Dissertation is dedicated to my dear and lovely Mrs. Mariam Pascal Lassa, my mum Mrs. Hafsa Haji Ali, my father Haji Haji Amer, brothers Ali, Mohammed, Abdallah and Amer, my sisters Mwashamba, Maisha, Rukiya Haiba and Bimkubwa.

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May God reward you abundantly.

ABSTRACT

The topic of the study was inventory management and organizational performance a case study of Zanzibar Institute of Financial Administration (ZIFA). The study objectives were to determine the various methods of inventory management in an organization, to examine the relevancy of inventory management techniques towards organizational performance and to establish the relationship between Inventory Management and organizational Performance. The study was conducted in Tanzania. Descriptive studies are non-experiential researches that describe the characteristics of a particular individual or of a group. the majority of the respondents were in the category of male with (70.6 %) while on the other hand, women were (29.4%). On the level of organizational performance according to the majority of the respondents saying that ZIFA regularly practice adequate supervision of staff with 42.6% and the lowest respondents saying that ZIFA is employee performance is closely evaluated and rewarded and assignments and tasks given to staff are finished on time with 0.9% of the respondents. This means that managerial standards can be a factor in motivating or de-motivating employees, according to technology employment resource Tech Republic. Managerial standards should be in line with the job duties outlined in the job description outlined by human resources. In conclusion, the role of Inventory management was rate differently with the majority of the respondents saying that ZIFA is using qualified staff to prepare Inventory Management to boost the level of performance with 29.6% and lowest at 1.85% saying that ZIFA is managing time and keeping records and reinforcing the safety programs expected in inventory management. The study recommended that to enhance the role of Inventory Management, ZIFA should be proactively involved in the struggle to reduce the level of poor materials handling in the organization.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

In this chapter the researcher gives historical background about the financial institution under study nationally and internationally. Then he talks about the theoretical perspective upon which the study stands.

1.1 Background of the study

By 1880, there was a change in manufacturing practice from companies with relatively homogeneous lines of products to horizontally integrated companies with unprecedented diversity in processes and products. Those companies (especially in metalworking) attempted to achieve success through economies of scope - the gains of jointly producing two or more products in one facility. The managers now needed information on the effect of product-mix decisions on overall profits and therefore needed accurate product-cost information. A variety of attempts to achieve this were unsuccessful due to the huge overhead of the information processing of the time. However, the burgeoning need for financial reporting after 1900 created unavoidable pressure for financial inventory of stock and the management need to cost manage products became overshadowed. In particular, it was the need for audited accounts that sealed the fate of managerial cost inventory. The dominance of financial reporting inventory over management inventory remains to this day with few exceptions, and the financial reporting definitions of 'cost' have distorted effective management 'cost' inventory since that time. This is particularly true of inventory.

Manufacturing management is more interested in inventory turnover ratio or average days to sell inventory since it tells them something about relative inventory levels.

This ratio estimates how many times the inventory turns over a year. This number tells how much cash/goods are tied up waiting for the process and is a critical measure of process reliability and effectiveness. So a factory with two inventory turns has six months stock on hand, which is generally not a good figure (depending upon the industry), whereas a factory that moves from six turns to twelve turns has probably improved effectiveness by 100%. This improvement will have some negative results in the financial reporting, since the 'value' now stored in the factory as inventory is reduced.

While these inventory measures of inventory are very useful because of their simplicity, they are also fraught with the danger of their own assumptions. There are, in fact, so many things that can vary hidden under this appearance of simplicity that a variety of 'adjusting' assumptions may be used. These include:

Inventory Turn is a financial inventory tool for evaluating inventory and it is not necessarily a management tool. Inventory Management should be forward looking. The methodology applied is based on historical cost of goods sold. The ratio may not be able to reflect the usability of future production demand, as well as customer demand.

Business models, including Just in Time (JIT) Inventory, Vendor Managed Inventory (VMI) and Customer Managed Inventory (CMI), attempt to minimize on-hand inventory and increase inventory turns. VMI and CMI have gained considerable attention due to the success of third-party vendors who offer added expertise and knowledge that organizations may not possess.

The internal costing/valuation of inventory can be complex. Whereas in the past most enterprises ran simple, one-process factories, such enterprises are quite probably in the minority in the 21st century. Where 'one process' factories exist,

there is a market for the goods created, which establishes an independent market value for the good. Today, with multistage-process companies, there is much inventory that would once have been finished goods which is now held as 'work in process' (WIP). This needs to be valued in the accounts, but the valuation is a management decision since there is no market for the partially finished product. This somewhat arbitrary 'valuation' of WIP combined with the allocation of overheads to it has led to some unintended and undesirable results.

1. 2 Statement of the Problem

Zanzibar Institute of Financial Administration (ZIFA) was one of the highest ranking financial institutions in Tanzania in terms of financial performance (e.g. shareholder return), customer service, social responsibility e.g. corporate citizenship, community outreach and employee stewardship. The organizational performance comprises of the actual output or results of an organization as measured against its intended outputs (or goals and objectives) has been low in recent years because of poor inventory facilities. According to Richard et al. (2009), organizational performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets and return on investment), product market performance (sales, market share) and shareholder return (total shareholder return, economic value added). In recent years, ZIFA has attempted to use the balanced scorecard methodology in order to increase the performance but all has not yielded good results. It is up on this background that the researcher would like to investigate the cause of this phenomena and whether it is linked to inventory management.

1.3 Purpose of the Study

The purpose of the study was to investigate the relationship between Inventory Management and Organizational Performance in ZIFA, Tanzania.

1.4 Research Objectives

1.4.1 Specific Objectives

1. To determine the various methods of inventory management in an organization.
2. To examine the relevancy of inventory management techniques towards organizational performance.
3. To establish the relationship between Inventory Management and organizational Performance.

1.5 Research Questions

1. What are the various methods of inventory management in an organization?
2. What is the relevancy of inventory management techniques towards organizational performance?
3. What is the relationship between Inventory Management and organizational Performance?

1.6 Research Hypothesis

H_1 : There is no relationship between Inventory Management and Organizational Performance

1.7 Scope of the Study

1.7.1 Geographical scope

The study was conducted in Tanzania based inventory management and Organizational Performance mainly in ZIFA so as to cover the gap since there are few studies done at this area in inventory management and Organizational Performance.

1.7.2 Content scope

The study determined the relationship between Inventory Management and Organizational Performance in ZIFA, Tanzania.

On one hand Inventory Management as Independent Variable composes of the elements that give any information its power and validity such as completeness, relevance and authenticity. On other hand organizational performance as Dependent Variable in this study concerns to decisions about financing, assets management and investment decisions. The study aims to investigate the relationships between the elements of Independent Variable and Dependent Variable.

1.7.3 Theoretical scope

The study was based on the agency theory that was developed by Berle & Means in 1994. Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns.

Agency theories are adaptable in a situation where a task is too complicated or too costly to perform on your own. In such situation the person who wish to have the task performed, called the principal, have to hire another person with these

specialized skills or knowledge, called the agent, and have this person performing the task (Sapping, 1991).

The theory indicates that financial reporting is central in monitoring process. It is a very crucial that companies especially those that directly deal with cash to constantly equip themselves with all the required information for service and business delivery.

1.7.4 Time scope

The study was covered within a period of estimated of 4 months. This period of time may enable the researcher for conceptualization, proposal writing, data collection, analysis and dissemination.

1.8 Significance of the Study

The research findings expected to add more information to the stakeholders to understand which kind of information financial customers need, and the financial management teams need.

The study will provide a framework and entry point for creation and managing of important information from the financial and the stake holders

The findings and recommendations that will be reached on will help the decision makers in the financial institution to develop policy framework that will be based on in promoting an Inventory Management system that is capable of reflecting financial information needs.

The research findings will be useful to future researchers and business community.

1.9 Operational definition of key Terms

Inventory or **stock** refers to the goods and materials that a business holds for the ultimate purpose of resale (or repair). Inventory Management is a science primarily about specifying the shape and percentage of stocked goods. It is required at different locations within a facility or within many locations of a supply network to precede the regular and planned course of production and stock of materials.

The scope of Inventory Management concerns the fine lines between replenishment lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods, and demand forecasting. Balancing these competing requirements leads to optimal inventory levels, which is an on-going process as the business needs shift and react to the wider environment.

Inventory Management involves a retailer seeking to acquire and maintain a proper merchandise assortment while ordering, shipping, handling, and related costs are kept in check. It also involves systems and processes that identify inventory requirements, set targets, provide replenishment techniques, report actual and projected inventory status and handle all functions related to the tracking and management of material. This would include the monitoring of material moved into and out of stockroom locations and the reconciling of the inventory balances. It also may include ABC analysis, lot tracking, cycle counting support, etc. Management of the inventories, with the primary objective of determining/controlling stock levels within the physical distribution system, functions to balance the need for product availability against the need for minimizing stock holding and handling costs.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter the researcher talks firstly about theoretical review, the theories assumptions and limitations of the theories. the chapter further generates conceptual frame work which the study is guide and critically reviews the works of past author. Secondly, conceptual framework and finally he reviews the previous studies that are related to this study.

2.1 Related literature

Reasons for keeping stock

The five basic reasons for keeping an inventory are, Time - The time lags present in the supply chain, from supplier to user at every stage, requires that you maintain certain amounts of inventory to use in this lead time. However, in practice, inventory is to be maintained for consumption during 'variations in lead time'. Lead time itself can be addressed by ordering that many days in advance.

Seasonal Demand: demands varies periodically, but producers capacity is fixed. This can lead to stock accumulation, consider for example how goods consumed only in holidays can lead to accumulation of large stocks on the anticipation of future consumption, Uncertainty - Inventories are maintained as buffers to meet uncertainties in demand, supply and movements of goods, Economies of scale - Ideal condition of "one unit at a time at a place where a user needs it, when he needs it" principle tends to incur lots of costs in terms of logistics. So bulk buying, movement and storing brings in economies of scale, thus inventory.

Appreciation in Value - In some situations, some stock gains the required value when it is kept for some time to allow it reach the desired standard for consumption. or for production. For example; beer in the brewing industry.

All these stock reasons can apply to any owner or product also, some authors mentioned several reasons not to keep high inventory levels: Obsolescence: due to progress of technology, the bought inventory for future use may become obsolete, Capital Investment, Space Usage and Complicated Inventory Control Systems: higher number of inventory items complicates the control and monitoring items.

Special terms used in dealing with inventory

Stock Keeping Unit (SKU) is a unique combination of all the components that are assembled into the purchasable item. Therefore, any change in the packaging or product is a new SKU. This level of detailed specification assists in managing inventory, Stockout means running out of the inventory of an SKU, "New old stock" (sometimes abbreviated NOS) is a term used in business to refer to merchandise being offered for sale that was manufactured long ago but that has never been used. Such merchandise may not be produced anymore, and the new old stock may represent the only market source of a particular item at the present time.

Typology

1. Buffer/safety stock
2. Reorder level
3. Cycle stock (Used in batch processes, it is the available inventory, excluding buffer stock)
4. De-coupling (Buffer stock held between the machines in a single process which serves as a buffer for the next one allowing smooth flow of work instead of waiting the previous or next machine in the same process)

5. Anticipation stock (Building up extra stock for periods of increased demand - e.g. ice cream for summer)
6. Pipeline stock (Goods still in transit or in the process of distribution - have left the factory but not arrived at the customer yet)

Inventory examples

While accountants often discuss inventory in terms of goods for sale, organizations - manufacturers, service-providers and not-for-profits - also have inventories (fixtures, furniture, supplies, etc.) that they do not intend to sell. Manufacturers', distributors', and wholesalers' inventory tends to cluster in warehouses. Retailers' inventory may exist in a warehouse or in a shop or store accessible to customers. Inventories not intended for sale to customers or to clients may be held in any premises an organization uses. Stock ties up cash and, if uncontrolled, it will be impossible to know the actual level of stocks and therefore impossible to control them.

While the reasons for holding stock were covered earlier, most manufacturing organizations usually divide their "goods for sale" inventory into:

Raw materials - materials and components scheduled for use in making a product.
Work in process, WIP - materials and components that have begun their transformation to finished goods.

Finished goods - goods ready for sale to customers.

Goods for resale - returned goods that are salable.

Stocks in Transit.

Consignment Stocks.

Maintenance Supply

For example:

Manufacturing

A canned food manufacturer's materials inventory includes the ingredients to form the foods to be canned, empty cans and their lids (or coils of steel or aluminum for constructing those components), labels, and anything else (solder, glue, etc.) that will form part of a finished can. The firm's work in process includes those materials from the time of release to the work floor until they become complete and ready for sale to wholesale or retail customers. This may be vats of prepared food, filled cans not yet labeled or sub-assemblies of food components. It may also include finished cans that are not yet packaged into cartons or pallets. Its finished goods inventory consists of all the filled and labeled cans of food in its warehouse that it has manufactured and wishes to sell to food distributors (wholesalers), to grocery stores (retailers), and even perhaps to consumers through arrangements like factory stores and outlet centers.

Principle of inventory proportionality

Purpose

Inventory proportionality is the goal of demand-driven inventory management. The primary optimal outcome is to have the same number of days' (or hours', etc.) worth of inventory on hand across all products so that the time of runout of all products would be simultaneous. In such a case, there is no "excess inventory," that is, inventory that would be left over of another product when the first product runs out. Excess inventory is sub-optimal because the money spent to obtain it could have been utilized better elsewhere, i.e. to the product that just ran out.

The secondary goal of inventory proportionality is inventory minimization. By integrating accurate demand forecasting with inventory management, rather than only looking at past averages, a much more accurate and optimal outcome is expected.

Integrating demand forecasting into Inventory Management in this way also allows for the prediction of the "can fit" point when inventory storage is limited on a per-product basis.

Applications

The technique of inventory proportionality is most appropriate for inventories that remain unseen by the consumer, as opposed to "keep full" systems where a retail consumer would like to see full shelves of the product they are buying so as not to think they are buying something old, unwanted or stale; and differentiated from the "trigger point" systems where product is reordered when it hits a certain level; inventory proportionality is used effectively by just-in-time manufacturing processes and retail applications where the product is hidden from view.

One early example of inventory proportionality used in a retail application in the United States was for motor fuel. Motor fuel (e.g. gasoline) is generally stored in underground storage tanks. The motorists do not know whether they are buying gasoline off the top or bottom of the tank, nor need they care. Additionally, these storage tanks have a maximum capacity and cannot be overfilled. Finally, the product is expensive. Inventory proportionality is used to balance the inventories of the different grades of motor fuel, each stored in dedicated tanks, in proportion to the sales of each grade. Excess inventory is not seen or valued by the consumer, so it is simply cash sunk (literally) into the ground. Inventory proportionality minimizes the amount of excess inventory carried in underground storage tanks. This application for motor fuel was first developed and implemented by Petrolsoft Corporation in 1990 for Chevron Products Company. Most major oil companies use such systems today.¹³¹

Roots

The use of inventory proportionality in the United States is thought to have been inspired by Japanese just-in-time parts Inventory Management made famous by Toyota Motors in the 1980s.

High-level inventory management

It seems that around 1880^[4] there was a change in manufacturing practice from companies with relatively homogeneous lines of products to horizontally integrated companies with unprecedented diversity in processes and products. Those companies (especially in metalworking) attempted to achieve success through economies of scope - the gains of jointly producing two or more products in one facility. The managers now needed information on the effect of product-mix decisions on overall profits and therefore needed accurate product-cost information. A variety of attempts to achieve this were unsuccessful due to the huge overhead of the information processing of the time. However, the burgeoning need for financial reporting after 1900 created unavoidable pressure for financial inventory of stock and the management need to cost manage products became overshadowed. In particular, it was the need for audited accounts that sealed the fate of managerial cost inventory. The dominance of financial reporting inventory over management inventory remains to this day with few exceptions, and the financial reporting definitions of 'cost' have distorted effective management 'cost' inventory since that time. This is particularly true of inventory.

Hence, high-level financial inventory has these two basic formulas, which relate to the inventory period:

1. Cost of Beginning Inventory at the start of the period + inventory purchases within the period + cost of production within the period = cost of goods available
2. Cost of goods available – cost of ending inventory at the end of the period = cost of goods sold

The benefit of these formulas is that the first absorbs all overheads of production and raw material costs into a value of inventory for reporting. The second formula then creates the new start point for the next period and gives a figure to be subtracted from the sales price to determine some form of sales-margin figure.

Manufacturing management is more interested in inventory turnover ratio or average days to sell inventory since it tells them something about relative inventory levels.

Inventory turnover ratio (also known as inventory turns) = cost of goods sold / Average Inventory = Cost of Goods Sold / ((Beginning Inventory + Ending Inventory) / 2) and its inverse

Average Days to Sell Inventory = Number of Days a Year / Inventory Turnover Ratio = 365 days a year / Inventory Turnover Ratio

This ratio estimates how many times the inventory turns over a year. This number tells how much cash/goods are tied up waiting for the process and is a critical measure of process reliability and effectiveness. So a factory with two inventory turns has six months stock on hand, which is generally not a good figure (depending upon the industry), whereas a factory that moves from six turns to twelve turns has probably improved effectiveness by 100%. This improvement will have some negative results in the financial reporting, since the 'value' now stored in the factory as inventory is reduced.

While these inventory measures of inventory are very useful because of their simplicity, they are also fraught with the danger of their own assumptions. There are, in fact, so many things that can vary hidden under this appearance of simplicity that a variety of 'adjusting' assumptions may be used. These include:

- Specific Identification
- Lower of cost or market
- Weighted Average Cost
- Moving-Average Cost
- FIFO and LIFO.

Inventory Turn is a financial inventory tool for evaluating inventory and it is not necessarily a management tool. Inventory Management should be forward looking. The methodology applied is based on historical cost of goods sold. The ratio may not be able to reflect the usability of future production demand, as well as customer demand.

Business models, including Just in Time (JIT) Inventory, Vendor Managed Inventory (VMI) and Customer Managed Inventory (CMI), attempt to minimize on-hand inventory and increase inventory turns. VMI and CMI have gained considerable attention due to the success of third-party vendors who offer added expertise and knowledge that organizations may not possess.

Role of inventory management

By helping the organization to make better decisions, the accountants can help the public sector to change in a very positive way that delivers increased value for the taxpayer's investment. It can also help to incentivise progress and to ensure that reforms are sustainable and effective in the long term, by ensuring that success is

appropriately recognized in both the formal and informal reward systems of the organization.

To say that they have a key role to play is an understatement. Finance is connected to most, if not all, of the key business processes within the organization. It should be steering the stewardship and accountability systems that ensure that the organization is conducting its business in an appropriate, ethical manner. It is critical that these foundations are firmly laid. So often they are the litmus test by which public confidence in the institution is either won or lost.

Finance should also be providing the information, analysis and advice to enable the organizations' service managers to operate effectively. This goes beyond the traditional preoccupation with budgets – how much have we spent so far, how much do we have left to spend? It is about helping the organization to better understand its own performance. That means making the connections and understanding the relationships between given inputs – the resources brought to bear – and the outputs and outcomes that they achieve. It is also about understanding and actively managing risks within the organization and its activities.

Top Ten Ways to Manage Inventory

Effective inventory management ensures customer satisfaction.

Inventory management is a system used to oversee the flow of products and services in and out of an organization. A company may decide to incorporate one key inventory management technique or combine a variety of techniques to meet organizational needs. Businesses utilize inventory management strategies to create invoices and purchase orders, generate receipts and control inventory-related inventory. Activities employed in maintaining the optimum number or amount of each inventory item. The objective of inventory management is to

provide uninterrupted production, sales, and/or customer-service levels at the minimum cost. Since for many companies inventory is the largest item in the current assets category, inventory problems can and do contribute to losses or even business failures.

Supplier Assistance

An effective way to manage inventory is to solicit the help of suppliers. Supplier-managed inventory gives the vendor access to the distributor's inventory data. The supplier generates purchase orders based on the distributor's needs. Distribution-intensive companies utilize vendor managed inventory controls to eliminate data-entry errors and to effectively manage the timing of purchase orders.

Inventory Control Personnel

An efficient method for managing inventory is to hire a dedicated inventory control specialist. Inventory specialists manage all merchandise items that are on hand and in transit. They also perform adjustments, manage returns, validate received merchandise and implement inventory reporting strategies.

Related Reading: How to Manage Inventory When Products Reach the Decline Stage

Lead Time

Lead time is the amount of time it takes to reorder inventory. Suppliers deliver products at varying times after an order is placed. A useful way to manage inventory is to establish lead time reports to understand how long it takes to replenish your inventory.

Monitor Inventory Levels

Having high levels of inventory adds to expenses and increases overhead costs. An effective way to manage inventory is to determine the inventory demands of

the business. Limit seasonal inventory and cut back on inventory that does not sell.

Customer Delivery

An effective way to manage inventory is to measure inventory turnover and delivery turnaround time. This involves measuring how often your inventory sells and how long it takes to get into the hands of your customers.

Inventory Consultant

Many organizations hire inventory consultants outside the company to develop and manage internal inventory systems. Inventory consultants are responsible for maintaining accuracy, cycle counting, shipping and receiving, and managing order-picking operations.

Purchase Software

Many businesses manage inventory by designing an inventory management database or purchasing inventory management software. Inventory management software enables distributors to customize the database to fit their individual needs.

Product Turnaround

All businesses have products that sell and products that sit on the shelves. A helpful way to manage inventory is to establish a system that pinpoints which products move quickly and which products take more time to sell.

Tracking System

Many businesses develop a tracking system to manage inventory and monitor turnaround times. Inventory tracking system formats range from spreadsheets to computer programs. They provide complete inventory control allowing business owners to organize item levels and take cycle counts in distribution centers or stock rooms.

Work in Progress

Businesses successfully manage inventory by tracking units as they move through different operational stages. Many businesses utilize some inventory to create other products. Establishing a system to track "work-in-progress" materials allows businesses to adjust order amounts before the inventory gets too low and slows production.

The intent of inventory management is to continuously hold optimal inventory levels. The scope of inventory management concerns the fine lines between replenishment lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods, and demand forecasting. Balancing these competing requirements leads to optimal inventory levels, which is an on-going process as the business needs shift and react to the wider environment.

Management of the inventories, with the primary objective of determining/controlling stock levels within the physical distribution system, functions to balance the need for product availability against the need for minimizing stock holding and handling costs. Inventory management involves systems and processes that identify inventory requirements, set targets, provide replenishment techniques, report actual and projected inventory status, and handle all functions related to the tracking and management of material. This would include the monitoring of material moved into and out of stockroom locations and the reconciling of the inventory balances. It also may include ABC analysis, lot tracking, cycle counting support, etc. All of these practices leads to optimal product storage, helping minimize holding and handling costs.

Inventory management also can help companies improve cash flows. Companies with effective inventory management do not have to spend large capital balances for purchasing enormous amounts of inventory at once. This also saves handling and holding costs.

Companies often depend on inventory to operate and fill orders. Inventory is a major company asset that helps a company with tasks such as staying within budget. Maintaining a Zen inventory balance can sometimes be frustrating. Having too little inventory available drives away customers who were so willing to throw their money at your business, on the other hand having too much inventory can cause problems of its own. Goods can expire, items can become damaged if sitting on a dusty shelf for too long and your company can take a huge loss at the end of every year due to items that were overly stocked and then thrown away. An efficient inventory management system such as inventory can forecast how often you will need to reorder and how much you have left in stock. An inventory management system is vital in ensuring that your inventory numbers will not teeter from too little to way too much. Having such large inventory fluctuations and profit losses can really cause a headache and much unneeded financial stress.

Inventory management is also important in the sense of working capital. Inventory is expensive to acquire in the first place, and if all of your money is tied up in inventory that isn't moving your business may become "stunted" and you will not have the revenue to grow bigger and better each day. Inventory management isn't just about the items that are in your stock, but also managing the components that make it a successful seller such as employees, marketing etc. Having too much cash tied up in inventory that isn't moving is not something you want for your business if you aspire to grow into a larger company in the future.

Inventory management from a manufacturer's stand point is also important for many reasons. As a manufacturer you rely on separate types of items to come together and make one item, your item. All of these items are key and if you unexpectedly run out of just one of the key items, all production may come to a halt, which can be a costly blow to your profits and production times. As a manufacturer, you also run the risk of losing customers that provide your product in their retail atmosphere. If your items are not available to order on a frequent basis, companies may start looking elsewhere to satisfy their inventory needs. Costing you precious money in the long run even when production is running again as usual.

Inventory Management Techniques and Their Importance

An inventory is a warehouse or storage location where a business maintains stocks of its products so that it can ensure swift delivery of those products on the order. With the ever increasing demand in products, more and more management practices have evolved to ease the process of product procurement by the customer. Highly efficient delivery systems and supply chains are developed to ensure efficient delivery of the products to their consumers. In the current scenario when customer satisfaction and service have become a prime reason for a business to stand apart from its competition, the need for effective inventory management is largely seen more as a necessity than a mere trend. Project management is a field of management that deals with the effective management of various types of projects. You can take up a course on project management to learn more about it.

To understand the various inventory management techniques it is crucial to know why it is important.

- First, a mismanaged inventory can lead to an unnecessary increase in the working capital. The excess funds could have been fruitfully directed to fuel the company's growth initiatives or research and development efforts.
- Second, effective inventory management would lead to low storage costs, which will in turn lead to an increase in the company's profits. Storage space is expensive; if you are able to manage your inventory well and able to reduce the amount of goods that you need to store, then you will require less space, which will in turn lead to low warehouse rental costs.
- Third, it can help you satisfy your customers by providing them with the products they need in the swiftest manner. Poor inventory management leads to lower availability of goods and higher delivery time. Hence, if you want to gain those service satisfaction stars, you need to manage your inventory well.
- Fourth, goods stored in inventory over a long period may spoil. This leads to unnecessary overheads in operating a business. Hence, proper inventory management can help you reduce those costs greatly.
- Fifth, if you have inventories scattered in various locations, you need a proper system to manage those inventories on the basis of demand and supply. Inventory management techniques can help you go a long way in managing multiple inventories.

Various businesses have employed the basic inventory management techniques or inventory control methods to keep their inventory costs in check. Inventory management has become an intrinsic part of supply chain management. There are various methods that an organization may use to manage its inventory:

Just in Time (JIT)

As the name suggests, the JIT inventory management technique says that the item will be ordered only if it is needed for shipping or manufacturing. The item may be ordered a few days back depending on the delivery time promised by the supplier. A mandatory requirement of this approach is the proper identification of each item before the manufacturer or reseller requires it. Since, there can be many goods required by supplier or manufacturer at any time, each and every future requirement should be properly identified and timely ordered.

Another crucial requirement for this technique is the timely delivery of the order by the supplier. Since the item is ordered just before it is needed, any delay in the arrival of the item may delay the whole production process; this may be treated as a drawback in the approach. The JIT inventory management technique helps reduce the size of the inventory and leads to low storage costs. Although, early identification and order of all items required in the future should always be there to make this approach effective. Early identification of risks is also a prime concern in managing a business properly; [click here to take a course on how to manage risk in Information Technology](#).

There are several components to JIT that deserve mention in the text:

Production in Small Lots: The philosophy encourages production in smaller lots rather than bulk production. Bulk production takes much time, whereas smaller lots need less storage space and less manufacturing time than large lots.

Short Business Setup Time: If a business agrees to produce in small lots, it will require less time for setup. Since, the production is less, little inventory space is needed which leads to lower costs.

High Quality in Delivery: Since, the goods are produced in smaller lots and as-and-when they are needed. Businesses can ensure high quality standards by inspecting each and every one of their products. Quality control is very difficult in case of bulk productions, which may make it very difficult to inspect each and every product after arrival in the warehouse or manufacturing. That is why JIT inventory management systems are very efficient in maintaining high quality standards in their inventory.

Excellent Preventative Maintenance: JIT approach makes it possible for the application of an excellent preventative maintenance strategy. Since, business downtimes can lead to irreparable losses, JIT is essential to maintain a good inventory management system.

Commitment of Supplier on Timely Delivery: Since JIT is highly dependent on the close cooperation and close coordination between suppliers and the procurers, each and every supplier should be committed to making deliveries on time. Since untimely delivery of orders can lead to delayed production or low customer satisfaction, a level of commitment is necessary for the suppliers to make timely deliveries.

Employees with a Flexible Attitude: The employees of the business should be able to respond proactively to the changing business scenarios. Flexible attitude of employees is essential to make the JIT approach beneficial for business. You can also take this course on mastering productivity and managing time to learn how to achieve a smooth business functioning.

Accurate Response

The inventory management approach of accurate response is an excellent mechanism that helps businesses manage their inventory, which may get overloaded due to improper forecasts. Businesses greatly manage their inventory on the basis of future demand predictions. It has become increasingly important for these forecasts to be accurate for a business to keep itself alive in the cut-throat competition. Since more and more companies have come up with sophisticated inventory management systems that give accurate forecasts on product demands, the need for accurate response is highly needed.

Bad forecasts lead to businesses storing huge amount of inventory due to expected future demands. This leads to many storage costs and bad management of inventory. With the accurate response inventory management practice, one can reduce the unpredictability in the markets by making more accurate predictions. The underlying principle in making an accurate response strategy is identifying the products for which demand can be forecast. Then the product whose demand can't be predicted is kept away from the predictable products.

The accurate response method helps businesses better manage and predict their inventory. First, all the items that were not available and lead to a drop of sales are incorporated in the total costs so that these products are available for maintaining customers. Second, products are classified as predictable and unpredictable so that proper inventory stock can be maintained for the predictable products. The various benefits of the accurate response inventory management techniques are:

Delivery Success: By maintaining an inventory of the predictable products, businesses can ensure successful delivery of products that would otherwise have

resulted in a loss of sales. An inventory of predictable products can be maintained for the future to ensure swift delivery and unpredictable products can be kept on a deliver-on-order basis. This helps in reducing inventory storage, delivering products proactively, and reducing costs.

Lower Costs: Inaccurate forecasts can lead to an increase in the price of goods stored because retailers, wholesalers and distributors incorporate the overheads incurred due to storage of these products into product costs. Accurate response can prevent this and help the sellers lower the cost of such products and gain a competitive advantage.

Drop shipping

The method involves a seller making a drop shipping contract with another company. The best part of the technique is that there is no need to bear the cost of inventory; the seller can directly transfer the order to a drop shipping company, which will then take the responsibility of delivering the item to the customer. The seller receives a certain percentage of the sales that he can make. The downside to this method is that the seller does not have any control over the shipping of the item and cannot cross check the quality of the shipment. Check out the top 10 ways of inventory management here.

Procuring Bulk Shipments

This is an age-old method of managing inventories; the method relies on the principle that if you purchase goods in bulk, you are able to procure them in much lower costs. The method can only be employed if a business is sure that he will be able to sell that product. If a product is in high demand then you should consider using this inventory management technique which is sure to save you much money.

Apart from these practices there are many techniques that will help you manage your inventory. As businesses are becoming more competitive, more and more inventory management practices have come into the light. However, there are a certain pointers that should always be kept in mind if you really want to successfully manage your inventory:

Do not maintain too much inventory in your warehouse. If a certain quantity of product is needed after a year, do not go forth and unnecessarily bear its storage costs for one whole year. Make use of the different accurate forecasting methods to help you efficiently procure the goods in a timely manner before demand escalates.

Make sure that you track your inventory items properly. Using bar codes and inventory tracking software you need to make sure that there are no counting errors that were incurred while accessing an inventory. Inaccurate tracking can lead to a false promise to customers, who will give you a difficult time if you are not able to fulfill your promise of delivering the order on time.

Order products on the basis of priorities. The products that are in most demand should be ordered first and so forth. If you keep on randomly storing products in your inventory, then you will unnecessarily incur huge storage costs.

You should always use proper inventory management software to manage your inventory. Even if you own a small business, you will need to have the proper software with data backup modules to help you manage inventory efficiently.

You should always have a backup plan in case of system failures. Also, you should backup your inventory data into remote systems so that there is no

accidental loss of inventory data. A good backup plan can go a long way in making your inventory management more efficient process.

In a nutshell, inventory management will lead to low storage costs, ample usage of funds and timely delivery to customers. The various approaches to inventory management may depend on the requirements of the business. To learn about the various management techniques take this course on introduction to management.

Introduction and Importance of Inventory Management

The term inventory refers to the goods or materials used by a firm for the purpose of production and sale. It also includes the items, which are used as supportive materials to facilitate production.

There are three basic types of inventory: raw materials, work-in-progress and finished goods. Raw materials are the items purchased by firms for use in production of finished product. Work-in-progress consists of all items currently in the process of production. These are actually partly manufactured products. Finished goods consists of those items, which have already been produced but not yet sold.

Inventory constitutes one of the important items of current assets, which permits smooth operation of production and sale process of a firm. Inventory management is that aspect of current assets management, which is concerned with maintaining optimum investment in inventory and applying effective control system so as to minimize the total inventory cost.

Importance of Inventory Management

Inventory management is important from the view point that it enables to address two important issues:

1. The firm has to maintain adequate inventory for smooth production and selling activities.

2. It has to minimize the investment in inventory to enhance firm's profitability.

Investment in inventory should neither be excessive nor inadequate. It should just be optimum. Maintaining optimum level of inventory is the main aim of inventory management. Excessive investment in inventory results into more cost of fund being tied up so that it reduces the profitability, inventories may be misused, lost, damaged and hold costs in terms of large space and others. At the same time, insufficient investment in inventory creates stock-out problems, interruption in production and selling operation. Therefore, the firm may loose the customers as they shift to the competitors. Financial manager, as he involves in inventory management, should always try to put neither excessive nor inadequate investment in inventory. The importance or significance of inventory management could be specified as below:

* Inventory management helps in maintaining a trade off between carrying costs and ordering costs which results into minimizing the total cost of inventory.

* Inventory management facilitates maintaining adequate inventory for smooth production and sales operations.

* Inventory management avoids the stock-out problem that a firm otherwise would face in the lack of proper inventory management.

* Inventory management suggests the proper inventory control system to be applied by a firm to avoid losses, damages and misuses.

Companies often depend on inventory to operate and fill orders. Inventory is a major company asset that helps a company with tasks such as staying within

budget. Maintaining a Zen inventory balance can sometimes be frustrating. Having too little inventory available drives away customers who were so willing to throw their money at your business, on the other hand having too much inventory can cause problems of its own. Goods can expire, items can become damaged if sitting on a dusty shelf for too long and your company can take a huge loss at the end of every year due to items that were overly stocked and then thrown away. An efficient inventory management system such as Zenventory can forecast how often you will need to reorder and how much you have left in stock. An inventory management system is vital in ensuring that your inventory numbers will not teeter from too little to way too much. Having such large inventory fluctuations and profit losses can really cause a headache and much unneeded financial stress.

Inventory management is also important in the sense of working capital. Inventory is expensive to acquire in the first place, and if all of your money is tied up in inventory that isn't moving your business may become "stunted" and you will not have the revenue to grow bigger and better each day. Inventory management isn't just about the items that are in your stock, but also managing the components that make it a successful seller such as employees, marketing etc. Having too much cash tied up in inventory that isn't moving is not something you want for your business if you aspire to grow into a larger company in the future.

Inventory management from a manufacturer's standpoint is also important for many reasons. As a manufacturer you rely on separate types of items to come together and make one item, your item. All of these items are key and if you unexpectedly run out of just one of the key items, all production may come to a halt, which can be a costly blow to your profits and production times. As a manufacturer, you also run the risk of losing customers that provide your product in their retail atmosphere. If your items are not available to order on a frequent

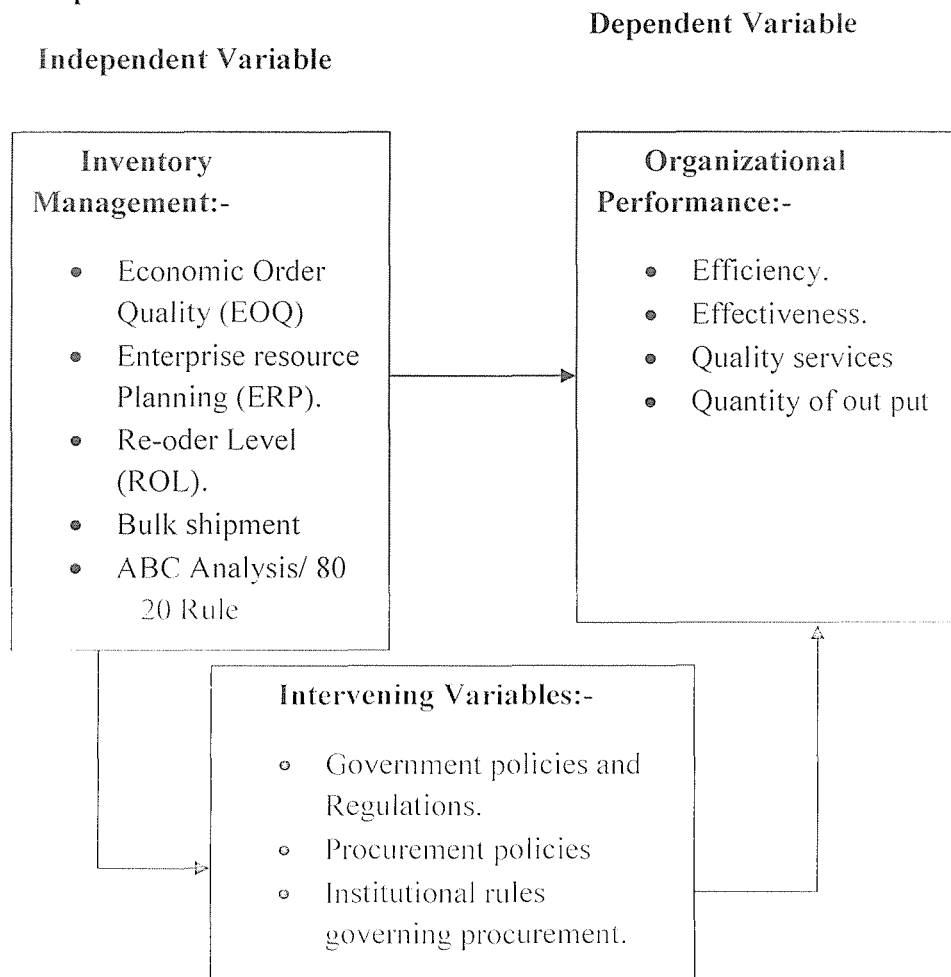
basis, companies may start looking elsewhere to satisfy their inventory needs. Costing you precious money in the long run even when production is running again as usual.

2.4 Summary of Gaps Identified in the Literature

The related studies that reviewed in this study are about the using of Inventory Management and organisational performance, but only two of them are in financial sector and that means the studies in financial institution in this topic are few. And the most important thing is that none of them are carried in Tanzania financial sector.

2.2 Conceptual framework

Figure 2.1: Conceptual framework



CHAPTER THREE METHODOLOGY

3.0 Introduction

The study addressed the research design, study population, sample size, sampling procedures, research instrument and its validity, data collection process and data analysis process ethical considerations and limitations of the study.

3.1 Research Design

The study used a descriptive approach with co-relational design. Descriptive studies are non-experiential researches that describe the characteristics of a particular individual or of a group. It deals with the relationship between variables, testing of hypothesis and development of generalizations and use of theories that have universal validity. It also involves events that have taken place and may be related to the present conditions.

3.2 Research Population

The target population comprised of; low support staff, procurement team, stores department, accountants, auditors and managers from the institute.

3.3 Sample size

In view of the nature of target population were low support staff, procurement team, stores department, accountants, auditors and managers. Table 3.1 below shows the distribution of respondents of the study from Financial institution.

The sample size will be determined by Sloven's formula, shown below:

$$n = \frac{N}{1 + Ne^2}$$

Where: n = Sample size

N = Population size

e = Margin of error desired

Table 3.1: Distribution of Respondents from Different Branches

Financial of Africa	Population size	Sample size
Top management	10	08
Middle management	34	30
Lower management	85	77
Total	129	115

3.4 Sampling Procedures

This study employed a probability sampling technique in respondents' selection. The technique was based on different criteria amongst the following: qualification, area of specialization, duration in service, training acquired and Inventory Management and organizational performance.

The criterion considered one year and above experience of the respondents that provided right and reliable information about the financial.

3.5 Research Instruments

The study tools that were used in the study included the following (i) Face sheet to gather data on the respondent's demographic characteristics area of specialization (ii) The Researcher devised questionnaires to determine the level of Inventory Management and level of Organizational Performance in ZIFA, Tanzania.

3.6 Validity and reliability of research Instruments

3.6.1 Validity

Validity of the research instrument means "that instrument should be the right one for that research; touches all aspects of the topic, answers all questions about it and measures it well.

According to Nahid Golafshani, (2003) "Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit sensitive point of your research object? Researchers generally determine validity by asking a series of questions, and looked for the answers in the research of others".

3.6.2 Reliability

Joppe (2000) defines reliability as: The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable.

Kirk and Miller (1986) identify three types of reliability referred to in quantitative research, which relate to: (1) the degree to which a measurement, given repeatedly, remains the same (2) the stability of a measurement over time; and (3) the similarity of measurements within a given time period.

The researcher repeated the process of data gathering through questionnaire among a few numbers of respondents. Then he compared their first answers with their last ones.

3.7 Data Gathering Procedure

3.7.1 Before the administration of the questionnaire

An introduction letter was obtained by the researcher from the College of Business and Management of Kampala International University, requesting the ZIFA financial institution to allow the researcher to collect data from the institutions.

On approval, the researcher secured a list of the targeted respondents from the selected financial institution to arrive at the minimum sample size. The respondents were briefed about the study and requested to sign the informed consent form. More than enough questionnaires will be produced for distribution to the respondents. The Researcher deployed assistants to assist in the data collection; they were oriented in order to be consistent in administering the questionnaires.

3.7.2 During the Administration of the Questionnaires

The respondents were requested to answer all the questions to the best of their abilities. The researcher and research assistants emphasized retrieval of the questionnaires within five days from the date of distribution. On retrieval, all returned questionnaires were checked to ensure that all are answered.

3.7.3 After the administration of the questionnaire

The data gathered was collated and input in a computer for statistical analysis.

3.8 Data Analysis

Frequency and percentage distribution were used to determine the demographic characteristics of the respondents. Mean item analysis was used to evaluate the level of working capital management and the level of financial performance based

on indicators of strengths and weaknesses. From these recommendations to the study was formulated.

A multiple correlation coefficient to test the hypothesis on correlation (H1) at 05 level of significance using the t-test was employed. The regression analysis (coefficient of determination) was used to determine the influence of Inventory Management on selected Organizational Performance in Tanzania.

3.9 Ethical Considerations

To ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in the study, the following activities were implemented by the researcher. The respondents were coded instead of reflecting the names through a written request to the concerned officials of the financial institution in order to access data from them.

The researcher requested the respondents to sign the informed consent form (appendix). Specifically, participants were informed about the aim and nature of the research

The researcher acknowledged the authors quoted in the study through citations and referencing.

Findings of the study were presented in a generalized manner to enhance privacy and confidentiality.

3.10 Limitations of the study

In view of the following threats to validity, the researcher will claim an allowable 5% margin of error. Mitigating measures were taken to minimize if not to eradicate threats to validity of findings of the study as shown below;

Extraneous variables which were beyond the researchers control such as respondents honesty, personal biases and uncontrolled setting of the study.

Instrumentation: The research instruments on resource availability and utilization are not standardized. Therefore a validity and reliability test was done to produce credible measurements of the research variables.

Testing: The use of research assistants brought about inconsistency in the administration of questionnaires in terms of time administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize this threat, the research assistants were briefed on the procedures that had to be done in data collection.

Attrition/Mortality: Not all questionnaires were returned neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as travels, sickness, hospitalization and refusal or withdrawal to participate. In anticipation to this the researcher will reserve more respondents exceeding the minimum sample size. The respondents were reminded not to leave any item in the questionnaires unanswered and was closely be followed up as to the date of retrieval.

CHAPTER FOUR

DISCUSSION OF RESEARCH FINDINGS

4.0: Introduction

The results in this section were presented so as to explore the data with respect to the research study objectives.

4.1.1 Demographic characteristics of respondents

Table 4:1 Level of Gender of respondents

Gender	Frequency	Percentage
Male	87	70.6
Female	21	29.4
Total	108	100

Source : primary data, 2015

Table 4.1.1 above indicates that the majority of the respondents were in the category of male with (70.6 %) while on the other hand, women were (29.4%). This means that ZIFA uses more of men than women in their operations.

4.1.2 Education of the respondents

Education	Frequency	Percentage
Certificate	05	4.6
Diploma	20	18.5
Bachelor	47	43.5
Master	33	30.6
PhD	03	2.7
Total	108	100

Source: primary data, 2015

Table 4.1.2 above indicates that the majority of the respondents were bachelor holders with (43.5%). masters with (30.6%), Diploma with (18.5%) and

certificate with 7.4% . The findings imply that majority of the respondents at the ZIFA were degree holders. It also indicates that these corporations employ more of graduates from Universities. The findings reviewed the ZIFA employs majority of managers from degree level and few are diplomas mainly in technical skill but emphasize is no degree holders and above.

4.1.3 Marital status of the respondents

Status	Frequency	Percentage
Divorced	3	2.07
Married	68	63.0
Single	37	34.3
Total	108	100

Source : primary data, 2015

Table 4.1.3 above indicates that the majority of the respondents were married with (63 %), 34.3% were single and 2.07% were divorced. This means that ZIFA employs more married people than single people.

4.1.4 Job Title Distribution of the respondents

Job title	Frequency	Percentage
Management	04	04
Operation	30	20
Lower staff	74	66
Total	108	100

Source : primary data, 2015

Table 4.1.4 above indicate that majority of the respondents were in lower staff with (66 %), 20% in the operation level and minority were in management with

(4%). This means that the lower staffs who represent the majority gave us first hand information on ground because they are the ones who run the work.

4.1.5 Age distribution of respondents

Age	Frequency	Percentage
20 – 30	14	13
31 – 40	61	56
41 – 50	14	13
51 - above	19	18
Total	108	100

Source : primary data, 2015

Table 4.1.5 above indicate that majority of the of the respondents were between 31 – 40 age bracket with (56 %). followed with 51 – and above with 18%, 20 – 30 and 41-50 both tied at 13%. This means that the youth are more actively involved in the ZIFA with all their energy to run the financial institution.

4.1.6 Working experience of respondents

No. of years	Frequency	Percentage
0 – 5	13	12.0
6 – 11	30	27.8
12 – above	65	60.2
Total	108	100

Source : primary data, 2015

Table 4.1.6 above indicate that the majority of the respondents were in the category of employees of 12- and above years with (60.2 %) while on the other hand, still 6-11 years with (27.8%), and 0-5 years with 12%. From the interview with key informants it was noted that the organizational policy does only allow people to leave the organization easily since they have a well maintenance strategy for staff.

4.2.0. The factors affecting Inventory Management

The independent variable in this study was the level of Inventory Management , therefore the researcher intended to determine its level, it was broken into two constructs namely, Maintenance of records and inventory stock flow.

No.	Variable	Frequency	Percentage
1	Inventory Management prepared by a qualified team of accountants	32	29.6
2	You have and maintain updated inventory records	13	12.03
3	There is a financial and inventory system identifies explicitly the duties, responsibilities, and rights of each worker at the financial institutions.	8	7.4
4	You routinely do improvement of stock and maintain book keeping	17	15.74
5	You follow procurement rules and regulations in stock management	12	11.1
6	Zifa has internal rules and regulations governing procurement process of the	6	5.5

	organization		
7	Work in progress reports are regularly done in this organization	5	4.6
8	You have consignment stock and maintenance	4	3.7
9	You manage time and keep records	2	1.85
10	Inventory Management prepared by a qualified team of accountants	3	2.77
11	You have and maintain updated inventory records	2	1.85
12	There is a financial and inventory system identifies explicitly the duties, responsibilities, and rights of each worker at the financial institutions.	4	3.7
	Total	108	100

Source: Primary data, 2015

Results in Table 4.2 above reveal that the role of Inventory Management was rate differently with the majority of the respondents saying that ZIFA is using qualified staff to prepare Inventory Management to boost the level of performance with 29.6% and lowest at 1.85% saying that ZIFA is managing time and keeping records and reinforcing the safety programs expected in inventory management.

The findings agree with R. S. Saxena, (2009), inventory constitutes one of the important items of current assets. which permits smooth operation of production and sale process of a firm. Inventory management is that aspect of current assets management. which is concerned with maintaining optimum investment in inventory and applying effective control system so as to minimize the total

inventory cost. Lee, Perlitz (2012). An inventory is a warehouse or storage location where a business maintains stocks of its products so that it can ensure swift delivery of those products on the order. With the ever increasing demand in products, more and more management practices have evolved to ease the process of product procurement by the customer.

Inventory management also can help companies improve cash flows. Companies with effective inventory management do not have to spend large capital balances for purchasing enormous amounts of inventory at once. This also saves handling and holding costs.

The findings indicated that do not maintain too much inventory in your warehouse. If a certain quantity of product is needed after a year, do not go forth and unnecessarily bear its storage costs for one whole year. Make use of the different accurate forecasting methods to help you efficiently procure the goods in a timely manner before demand escalates.

Make sure that you track your inventory items properly. Using bar codes and inventory tracking software you need to make sure that there are no counting errors that were incurred while accessing an inventory. Inaccurate tracking can lead to a false promise to customers, who will give you a difficult time if you are not able to fulfill your promise of delivering the order on time.

Order products on the basis of priorities. The products that are in most demand should be ordered first and so forth. If you keep on randomly storing products in your inventory, then you will unnecessarily incur huge storage costs.

You should always use proper inventory management software to manage your inventory. Even if you own a small business, you will need to have the proper software with data backup modules to help you manage inventory efficiently.

You should always have a backup plan in case of system failures. Also, you should backup your inventory data into remote systems so that there is no accidental loss of inventory data. A good backup plan can go a long way in making your inventory management more efficient process.

4.3.0: The role of Organizational performance

TABLE: 4.3.1 Organizational performance

No.	Variable	Frequency	Percentage
1	Employees come on time and leave on time	10	9.3
2	Absenteeism of workers is minimized	08	0.7
3	There is an attendance register for all the staff to sing in and out	04	3.7
4	Assignments and tasks given to staff are finished on time.	01	0.9
5	Employees meet work demands and deadlines.	06	5.6
6	Employees are qualified and meet the job specifications.	09	8.3
7	There is adequate supervision of staff	46	42.6
8	Hard working employees are rewarded.	18	16.7
9	No performing employees are sacked or demoted.	04	3.7
10	Employee performance is closely evaluated and rewarded.	02	1.85
	Total	108	100

Source: Primary data, 2015

Results in Table 4.3 show that the level of organizational performance according to the majority of the respondents saying that ZIFA regularly practice adequate supervision of staff with 42.6% and the lowest respondents saying that ZIFA is employee performance is closely evaluated and rewarded and assignments and tasks given to staff are finished on time with 0.9% of the respondents.

This means that managerial standards can be a factor in motivating or demotivating employees, according to technology employment resource Tech Republic. Managerial standards should be in line with the job duties outlined in the job description outlined by human resources. The background of the employee, including their educational history, is also outlined in a job description. Managers should keep their expectations in line with the duties assigned to the employee. By expecting more from an employee than they were hired for, or than their background has prepared them for, can diminish employee performance.

The findings mean that to get the best performance from employees, there needs to be some sort of motivation beyond the weekly paycheck. Motivation can come in the form of financial incentives, the opportunity to get involved in company projects, a career path that leads to management and direct involvement from management into the daily tasks. Effective motivation can create a productive work force, but a lack of motivating factors can leave employees searching for reasons to give their maximum effort.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0. Introduction

This chapter discusses the findings in chapter four in relation to the objectives of the study.

5.1.1. The factors influencing Inventory Management

The findings from the study revealed that the role of Inventory management was rate differently with the majority of the respondents saying that ZIFA is using qualified staff to prepare Inventory Management to boost the level of performance with 29.6% and lowest at 1.85% saying that ZIFA is managing time and keeping records and reinforcing the safety programs expected in inventory management.

5.1.4. The factors influencing organizational performance

The findings from the study revealed that the level of organizational performance with the majority of the respondents saying that ZIFA regularly practice adequate supervision of staff with 42.6% and the lowest respondents saying that ZIFA is employee performance is closely evaluated and rewarded and assignments and tasks given to staff are finished on time with 0.9% of the respondents. Employees that feel as though the company has made a commitment to employee success tend to perform better, according to Personnel Systems Associates. Commitment means offering a competitive rate of pay and benefits package, offering assistance in paying for employee's higher education costs, developing a regular training schedule that keeps employees updated on company changes and gives pertinent information for employees to do their jobs and upgrading equipment to make sure that employees have the most efficient technology available to do their work. Commitment shown by the company is returned in the form of commitment from employees.

An effective employee evaluation is an interactive process where the manager gives his input on the employee's performance, and the employee gets the chance to point out what she has learned throughout the year. Managers create a plan along with the employee for the coming year on how the employee can develop and improve their performance. Comprehensive employee evaluations are important to the ongoing performance of employees.

5.2. Conclusion

In conclusion, the role of Inventory management was rate differently with the majority of the respondents saying that ZIFA is using qualified staff to prepare Inventory Management to boost the level of performance with 29.6% and lowest at 1.85% saying that ZIFA is managing time and keeping records and reinforcing the safety programs expected in inventory management. On the other side organizational performance with the majority of the respondents saying that ZIFA regularly practice adequate supervision of staff with 42.6% and the lowest respondents saying that ZIFA is employee performance is closely evaluated and rewarded and assignments and tasks given to staff are finished on time with 0.9% of the respondents.

5.3. Recommendations

The recommendations are based on the objectives of the study as follows;

To enhance the role of Inventory Management, ZIFA should be proactively involved in the struggle to reduce the level of poor materials handling in the organization.

ZIFA employees should structure programs which area relevant and positively influence the performance. Such programs should be developmental, educative, and interactive.

ZIFA should comply with the international laws, regulations and operational policies and standards in materials management.

5.4. Areas for further studies

The researcher suggests that future researchers should look at the following areas:
the influence of Inventory Management on e- procurement.

The role of the materials management in e- procurement in Tanzania.

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APPENDICES

APPENDIX 1

TRANSIMITTAL LETTER FOR THE RESPONDENTS

Dear Sir/ Madam,

Greetings!

I am a Bachelors of Procurement and Supply candidate of Kampala International University. Part of the requirements for the award is my thesis. My study is entitled," Inventory Management and decision making in Organizational Performance in Tanzania.

Within this context, may I request you to participate in this study by answering the questionnaires. Kindly do not leave any option unanswered. Any data you will provide shall be for academic purposes only and no information of such kind shall be disclosed to others.

Thanking you in Advance for your cooperation.

Yours faithfully,



KASSIM HAJI HAJI

**APPENDIX III
INFORMED CONSENT**

I am giving my consent to be part of the study of Mr. KASSIM HAJI HAJI.

I will focus on "Inventory Management and decision making in Organizational Performance in ZIFA, Tanzania".

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and the right to withdraw my participation any time. I have been informed that the research is voluntary and that the results will be given to me if asked for it.

Initials:

Date:

APPENDIX IV A
FACE SHEET: DEMOGRAPHIC CHARACTERISTICS OF
THE RESPONDENTS

Gender (Please Tick)

_____ (1) Male _____ (2) Female

Age (Please Tick)

Below 20	
20 – 29	
30 – 39	
40 – 49	
50 Above	

Marital status (please tick)

Married	
Single	
Widowed	

Position:

General Manager Executive manager financial manager

Department manager Chief accountant accountant Other

Qualifications Under Education Discipline (Please Tick):

Certificate	
Diploma	
Bachelors	
Masters	

Ph. D	
Others (Specify)	

Experience (Please Tick)

Less than 5 years	
From 6 to 10 years	
From 11 to 20 years	
More than 20 years	

**APPENDIX IV B
RESEARCH INSTRUMENTS**

Part two: questionnaire about (IV) Inventory Management

		Rating			
No		4	3	2	1
	Inventory Management prepared by a qualified team of accountants				
	You have and maintain updated inventory records				
	There is a financial and inventory system identifies explicitly the duties, responsibilities, and rights of each worker at the financial institutions.				
	You routinely do improvement of stock and maintain book keeping				
	You follow procurement rules and regulations in tock management				
	Zifa has internal rules and regulations governing procurement process of the organization				
	Work in progress reports are regularly done in this organization				
	You have consignment stock and maintenance				
	You manage time and keep records				

Part three: questionnaire about (DV) Organizational Performance

		Rating			
No		4	3	2	1
	Employees come on time and leave on time				
	Absenteeism of workers is minimized				
	There is an attendance register for all the staff to sing in and out				
	Assignments and tasks given to staff are finished on time.				
	Employees meet work demands and deadlines.				

Employees are qualified and meet the job specifications.				
There is adequate supervision of staff				
Hard working employees are rewarded.				
No performing employees are sacked or demoted.				
Employee performance is closely evaluated and rewarded.				
Team work is encouraged at work.				

**APPENDIX III
TIME TABLE FOR THE RESEARCH**

ACTIVITIES	DURATION (MONTHS)				
	JANUARY 2015	FEBRUARY 2015	MARCH 2015	APRIL 2015	MAY 2015
Pilot study					
Study analysis					
Proposal design					
Proposal development					
Submission proposal approval					
Final report writing and submission					