INVENTORY MANAGEMENT AND ORGANIZATIONAL PERFORMANCE. A CASE STUDY OF KANE FRIGHT LOGISTICS KAMPALA DISTRICT

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A RESEARCH REPORT SUBMITTED TO THE COLLEGE OF ECONOMICS AND MANAGEMENT IN PARTIAL FULFILLMENT OF REQUIREMENTS FOR THE AWARD OF BACHELORS' DEGREE IN SUPPLY AND PROCUREMENT OF KAMPALA INTERNATIONAL UNIVERSITY

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DECLARATION

I hereby declare that this report is from my own knowledge and effort. It has never been submitted by any other person for degree in any University or institution of higher level

Signed----------

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Date---04/08/2015---

APPROVAL

This report on " Inventory management and organizational performance: A case study of Kane Fright Logistics company in Kampala District" has been submitted with my approval.

Signed----------

MR. MASABA RICHARD

Date----------

DEDICATION

This report is dedicated to my mother Mrs. Ayinkamiye Goret, my brother Ndayiramya innocent, my sisters Mr Senzira Jacinta, Nyiransabiyumva Regina, Nyirarukundo Novita and Tubihimana Pollina for their support towards my education.

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I am greatly indebted to my dear parents for their support, care and courage during my study. I am so grateful my dear parents. May God Bless them abundantly.

Thanks also go to the Employees and Management of Kane freight logistic Kampala district who allowed me to do research on the Company. Respondents who sacrificed their time in giving me relevant information that backed my research.

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LIST OF ACRONYMS

W.I.P	Work In Progress
MRO	Maintenance, Repair and Operations.
MRP	Materials Requirements Planning
MRP	Manufacturing Resources Planning
LIFO	Last In First Out
FIFO	First In First Out
JIT	Just in Time
EOQ	Economic order quantity
EDI	Electronic Data Intercharge

ABSTRACT

The overall objective of the study was to find out the impact of inventory management and performance of organizations in Uganda while considering Kane freight logistic Kampala district. The study was guided by three objectives; to find out the techniques of inventory management used at Kane freight logistics Kampala branch, to examine the relationship between inventory management techiniques and performance of Kane freight logistics company Kampala branch and to find out the challenges faced by Kane freight logistic Company Kampala branch in managing the inventories. Data was collected using a questionnaire and interview guide, and during data collection purposive sampling method was used. Both qualitative and quantitative methodologies were used to analyze data as a sample size of 40 respondents was used.

The study concluded that the common materials handling techniques used at Kane freight logistics Company Kampala branch include; integrated system (System Application and products) responsible for management information system, inventory requirement points, and over stock brands for the fast moving products, recoding, issue of inventories from the store that were previously purchased to the production department and arrangement of some company inventories according to the order of their importance. Also that, proper material handling technique plays an important function on the performance of organizations like Kane freight logistics Company Kampala branch and that the kind of relationship between inventory management techniques and performance of organizations in Uganda is positive. Lastly, that the challenges faced by Kane freight logistics Kampala branch in the process of managing inventories include; loss in inventories, predetermined products demand, opportunity costs, administration costs, theft and labour turnover, load shedding among other challenges faced by the company.

The study recommended management in manufacturing companies to always forward planning, centralize the purchase and store function, carry out stock taking exercise periodically, top management in most organizations to emphasis on the proper inventory management techniques and measuring of efficiency deviations to identify weaknesses in the process of managing inventories, managers in organizations to undertake forward production planning. Lastly, further studies are suggested on the following areas as: the effect of materials handling techniques on employees efficiency in organizations and the relationship between labour turnover and employees' efficiencyamong organizations in Uganda.

CHAPTER ONE

1.0 INTRODUCTION

This chapter will explains the background of the study, statement of the problem, purpose of the study, research questions, objectives, scope, significance and limitations of the study.

1.1 BACKGROUND OF THE STUDY

Inventory is defined as the stock of any item or material used in an organization. Therefore, an inventory management is the set of policies and control that monitor levels of inventory. Inventories constitute the most significant part of current events of a large majority of companies in Uganda and indeed many other part of the world. Because of the large size of inventories maintained by firms, a considerable amount of fund is required to be committed to them. Therefore, the efficient and effective management of inventories becomes imperative in order to achieve unnecessary turnover or to minimize the cost associated with keeping inventories. The neglect of inventory management and control by a firm will amount to jeopardizing its long run profitability and may even cause the firm to fail ultimately. Inventories allows additional flexibility for supplies in planning producing and delivering an order for a given product 'part loner gan' (2003)

However, inventory can include input such as human resources, financial, equipment and output such as parts or component.

It is possible for a company to reduce its level of inventories to a considerable degree without any adverse effect on production and sales by using inventory planning and control techniques.

The reduction in excessive inventory carries a favorable impact on company profitability (Pandey 1999) in doing this however, care should be taken to avoid under stocking which directly affect production causing stoppage, loss of sales, loss of good will. etc.

Inventory forms a link between production and sales of a product. A manufacturing company must maintain a certain level of inventory in the form of raw materials, work in progress and finished goods. Raw materials inventory gives the firm flexibility in its purchase, without it, a manufacturing company must exist on a hand-to- month basis buying raw materials in keeping

with its production schedule. Work-in- progress are items of stock that are subjected to further processing to produced the finished product. finished goods inventory allows the firm flexibility in its production scheduling and in its marketing thus there is no incentive to maintain large stocks of all three types of inventory.

The classic dilemma in inventory management is maintained in high service levels to meet the needs of customers while avoiding high stocks regardless of the types of items or even the department for which such stock s is purchased as shown in Kane freight logistics in Kampala district.

Kane freight logistic service deals in provision of the most cost effective method of transport without jeopardizing its high service levels. Whether picking up material from client vendors or distributing from the warehouse, Kane Freight Services is available to coordinate everything from single skid orders to large volume loads.

Kane Freight Services is committed to helping its customers achieve and exceed their goals through consistent teamwork and a passion for quality and service excellence.The cornerstone of Kane Freight Services Quality Assurance Program is achieving 100% customer satisfaction through on-time delivery and service reliability. Top management is fully committed to this goal, and to achieve it, it encourages and supports the continued involvement and commitment of its dedicated employees.

No matter the form of transportation, air, ground or sea, its relationships and expertise are utilized to meet its customers' demands while containing costs.

Kane Freight Services (*KFS*) will set the industry standard by providing expert, Best-in-Class distribution logistics and services to its customers by adhering to its set of core business values, maintaining its integrity, keeping its passion for excellence, and continually investing in the training and retention of its people.

1.2 STATEMENT OF THE PROBLEM.

There has been a question for management about the efficiency of inventory management procedures in a place resulting from inconsistencies of inventory levels leading to various weaknesses like losses that come as the result of over, under stocking, expiry inventory failure to

meet targets and low morale of the company members. As a result, a company's stores overcrowded making the work of store keeper difficult, later issue of materials to the department and these in turn result into poor inventory service delivery. Over stocking has resulted into inventory costs, ware housing costs such as ware housing space, utilities and maintenance of storage area among others. Under stocking has also resulted into failure to meet stock needs, running out of the stock among others.

1.3 PURPOSE OF THE STUDY

The purpose of the study was to examine the impact of inventory management on the performance of Kane freight Logistics Company in Kampala district.

1.4 GENERAL OBJECTIVES OF THE STUDY

The overall objective of the study was to find out the impact of inventory management and performance of private organizations in Uganda while considering Kane freight logistics Kampala

1.5 SPECIFIC OBJECTIVES

i. To find out the techniques of inventory management used at Kane freight logistics Kampala branch.

ii. To examine the relationship between Specific inventory management techniques and performance of Kane freight logistics Kampala branch..

iii. To find out the challenges faced by Kane freight logistics Kampala branch

in managing the inventories.

RESEARCH QUESTIONS

i. What inventory management techniques that are practiced at Kane freight Logistics Company in Kampala district.
ii. What is the relationship between Specific inventory management techniques and performance of Kane freight logistics Kampala branch.
iii. What are the challenges faced by Kane freight logistic Company Kampala branch in managing the inventories

- What are the challenges faced by Kane freight logistic Company kampala branch in managing the inventories

1.7 SCOPE OF THE STUDY

The scope of the study was limited to the impact of inventory management on the performance of Kane freight logistic in Kampala district Bweyogerere division and was involved procurement unit, staff of the firm's stores, support department and management among others.

1.8 SIGNIFICANCE OF THE STUDY

This study may be of great significance to a number of stakeholders among them procurement manager and future researchers to provide to them a well-researched information which can be useful to them for academic purposes in the area of inventory management.

To the stores and procurement department staff, the study hopes to provide them with useful information like recommended techniques of inventory control so as to meet their customers and organizational needs

.To the firm's management the recommendations of the study may enable them to design inventory management policies to improve the smooth running of the firm thereby satisfying customers and generally minimizing costs

1.9 LIMITATION OF THE STUDY

The researcher anticipated a limitation in accessing information as many employees were not openly willing to give information freely to anybody.

1.10 DEFINITION OF KEY TERMS

Inventory: - is the amount of goods, materials or parts carried out in stock or store house for example, work in progress (W.I.P), raw materials, financial goods resale MRO items.

Inventory management according to Garry, J.Z, (1997) involves the planning, ordering and scheduling of the materials used in the manufacturing process. It exercises control over three types of inventories i.e. raw materials, work in progress, and finished goods. Purchasing is primary concerned with control over the raw materials inventory, which includes; raw materials

or semi-processed materials, fabricated parts and MRO items (maintenance, repair and operations).

Inventory control: - refers to the process whereby the investment in materials and parts carried in stock is required within pre-determined unit set in accordance with inventory policy established by management.

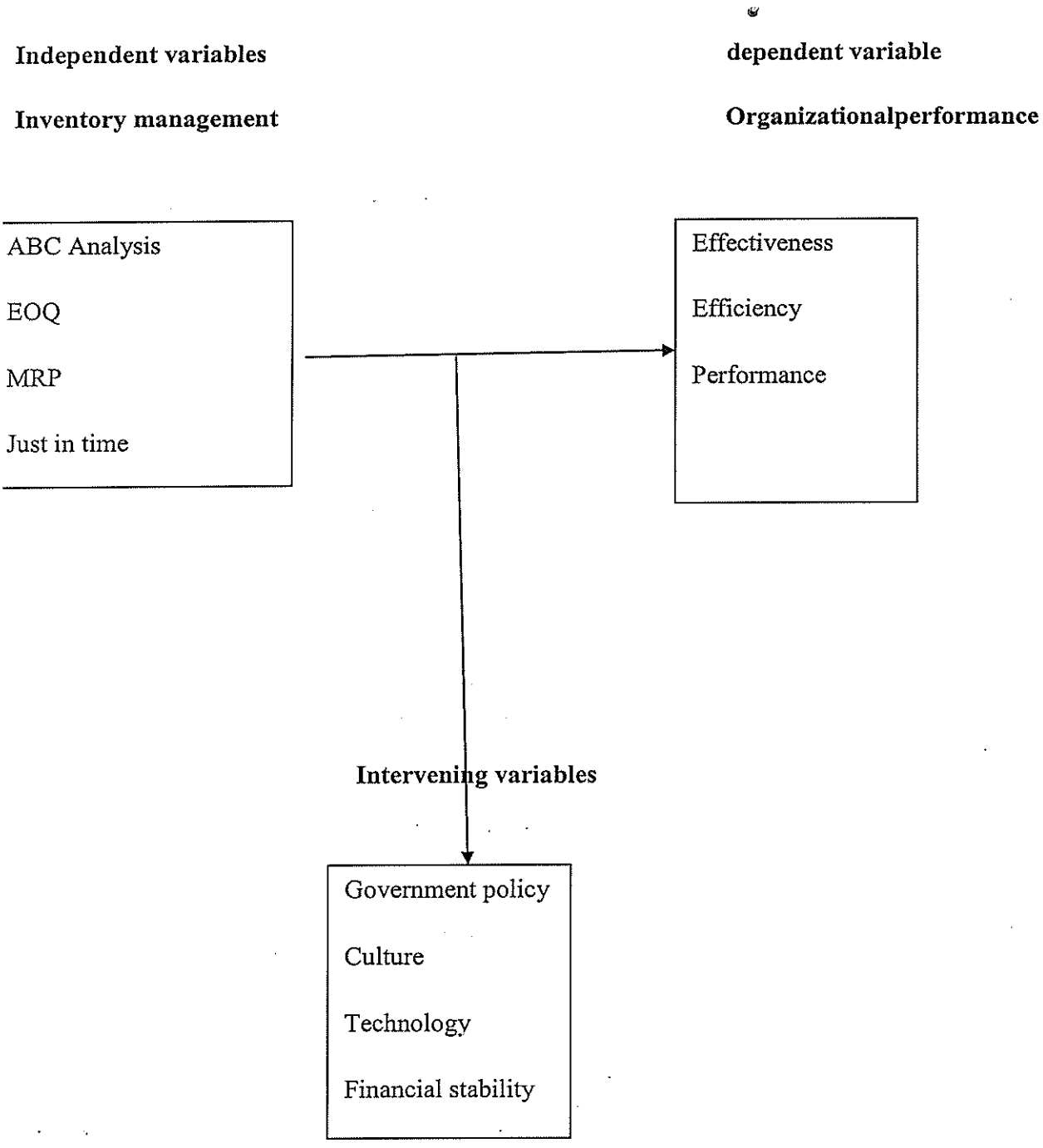
A customer, also client, buyer or purchaser is the buyer or user of the paid products of an individual or organization, mostly called the supplier or seller. This is typically through purchasing or renting goods or services. It is also the person or group that is the direct beneficiary of a project or service.

A technique refers to the ways which may be adopted in order to minimize on the uncertainties or outcomes of poorly inventory levels like stockless purchasing system, determining order quantities and inventory levels.

Efficiency refers to a functioning or prospering of a company at a given time in a given period basing on the desired goals and objectives of a company.

1.11 CONCEPTUAL FRAMEWORK

This is the diagrammatic representation of variables. It shows dependent, independent and intervening variables. The following is how conceptual frame work shows the linkage of variables in their measurable units.



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on the review of the related literature in line with the study variables. The researcher mainly obtained the theoretical available written data by different authors about the variables under the study and the reviewed information is arranged as follows;

2.1 Techniques of Inventory Management

The following are the techniques of inventory management

ABC Analysis

This is a popular way to analyze your inventory. According to (Richmond 1969), inventory is classified under three categories namely A, B and C. These categories are based upon the inventory value and cost significance. According to (Pandy 1995) the number of items and values of each category are expressed as a percentage of the total.

- Items of high value and small in number are termed as "A"
- Items of moderate value and moderate in number are termed as "B"
- Items of small in value and large in number are termed as "C"

Remember to manage each category separately: The nice thing about group C is that it can be fairly hands-off, while group A requires special attention. You can use ABC analysis in conjunction with the just-in-time technique to help you get your reorder timing just right.

Proper ABC analysis leads to better control over materials and consistent reduction in costs associated with materials (Jordan 1997)

Determining Order Quantities And Inventory Levels (EOQ)

This is another technique of inventory management. In the following sections, some relatively simple theoretical models used to determine order quantities are discussed. The application of these models depends on whether the demands or usage of the inventory is dependent or indecent. Dependent demand means the item is part of larger comment or product, and its users are dependent on the production schedule for the larger comments. Independent demand means the usage of the inventory item is not driven by the production schedule (Peter and Watter Man, R, 1998). Minimum-Maximum Inventory Levels. Theoretically the minimum inventory levels could be zero. The last unit of inventory would be used at the moment a new shipment arrives. The maximum inventory would then be the correct ordering quantity or economic order quaintly. This buffer system is not as popular as it once was for it tends to encourage the maintenance of excess inventories.

The optimum model: According to the van Horne (1989), a company should introduce policies to reduce lead time, regulate usage and thus minimize safety status. Therefore the finance manager should ensure that only an optimum amount is invented in inventory to achieve the trade of between profitability and liquidity (Pandey 1995). Materials management is there a managerial process of counting planning, coordinating, control, monitoring and motivation.

MRP and MRP II.

MRP and MRP II are computer-based resource management systems designed for items that have dependent demand. MRP and MRP II look at order quantities period by period and, as such, allow discrete ordering (ordering only what is currently needed). In this way inventory levels can be kept at a very low level; a necessity for a complex item with dependent demand.

Manufacture/assemblies such as the automobile companies make a number of components purchase others and assemble them into end products (Hellen, 1993). Assemblers, such as electronic companies, buy components and assemble them into finished products. Each type of firm can use MRP profitably but the greatest benefits usually accrue to the middle group because of the greatest complexity of its operations. The goals of MRP are to minimize inventory, to maintain a high service coverage and to co-ordinate delivery schedules for manufacturing and

purchasing activities. These aims often conflict in other systems but under MRP are achievable simultaneously. The feature and ability of modern MRP systems to allow rapid re-planning and searching and in response to the changes of a dynamic environment are responsible for attractiveness of MRP.

Just in Time

Just in time does what the name suggests; it involves having products arrive as soon as the customer orders them. It can be risky because it is based on customer behavior, which is not always perfectly predictable, Cooper, M. B. (2006). Keep in mind when using this technique that it will take a lot of time to research buying habits, seasonal demand, and location-based factors in order for this to be effective. It also means the uninterrupted flow of 100% acceptable materials delivered on due date as option cost 100% of time. The cited authors relate this definition for dozens of techniques including supplier certification materials, requirements planning, (MRP) manufacturing resources planning, (MRP 11) bar coding systems, contracting, electronic data interchange (EDI) value analysis and work simplification. This type of purchasing production and inventory control has the great advantage of locating and fixing quality problems immediately. Ingle makes the point, "it is like large rocks under the water in a lake". If the water level is too high one can see these and necks and avoid the danger. Similarly if the inventory is small, the defects are spotted and corrected immediately. There is less scrap and remark and quality improved dramatically. The supplier provides full time on site personnel who attend design-engineering meeting, investigates their products and use the company's purchase orders to affect delivery

Leeders/Fearon (1997), Points Out Purchasing Systems

This is also another techniques of controlling inventories. The terms stockless purchasing and systems contracting are often used inter changeably. Actually, stockless purchasing systems are a special sub set of systems contracts where the purchaser's stock is taken over by a supplier. The supplier's delivery system is so reliable and fast that there is no need for any safety stock on the purchaser's premises. Typical applications include, but are not limited to office, electrical, plumbing and building maintenance supplies of a relatively standard nature. Coupled with ADI and direct delivery to the place of use, the stockless systems not only help reduce inventory levels, but also purchasing, receiving, handling, invoicing, and payments costs.

Inventory Recording Technique;

Inventory recording is under taken to reduce the error relating to inventory accountability and accuracy in a firm's investment in inventories. Wood Frank (1996) indicates the stock accounting is important in any firm as it registers the changes in the level of stock held to realize maximum value and avoid typing up funds. Inventory recording may take forms stock taking and sport checks which are process of physically counting, weighing or other wise measuring the quality of each item in stock and recording system should reduce the discrepancies between stock in record and the physical stock.

Inventory storage and issues; Stock is vital tool to achieve an efficient inventory management system. Since there is storage and issue of inventory, the cost of obsolescence and fraud, management should ensure performance of all storage and issue functions. Stock valuation; According to Wood Frank (1996), the way materials are valued has amplification on the firms reported profit and the material usage and balance there fore different inventory profit reported by firms. The different materials valuation techniques include Last In First Out (LIFO), First In First Out (FIFO), average cost method and net realizable value.

The chosen materials valuation should be used consistently in order to meet the requirements of the consistency policy of accountability any change should be reported and its impart on the reported profits (Millichamp, 1996). Firms should therefore identify and employ the stock valuation method, which is in line with their objective and the legal and accounting framework.
Inventory models; Inventory models aim at minimizing materials costs. The order quantity that minimizes the cost of holding stick is determined. The key issue is the determination for when to order and how much to order. Materials models range from those concerning stock files and investment or stock records to economize costs calculated according to a number of formulas (Holstein 1968).

Trial And Error Technique;

According to Pandey, this is the simplest method of material control. In this case, management determines the level of inventory basing on the prices, orders and value of items of inventory. Material controlling is accessing the need for material and then taking appropriate action to meet this need (Lau A., and Snell, 2006).

Two Bin System;

The two-bin system involves the storage of each item in two storage bins. In case the first bin is emptied, an order must be placed for re- supply. The second bin will contain sufficient quantities to last until fresh delivery is made Emmett, S., & Granville, D. (2007). However, since this is not based on any format analysis of stock usage, it may result in holding too much or too little stock.

Fixed-Order-Interval Model.

The fixed-order-interval model is used when orders have to be placed at fixed time intervals such as weekly, biweekly, or monthly. The lot size is dependent upon how much inventory is needed from the time of order until the next order must be placed (order cycle) Irungu, B. K., &Wanjau, L. I. (2011) This system requires periodic checks of inventory levels and is used by many retail firms such as drug stores and small grocery stores.

Single-Period Model.

The single-period model is used in ordering perishables, such as food and flowers, and items with a limited life, such as newspapers. Unsold or unused goods are not typically carried over from one period to another and there may even be some disposal costs involved. According to (Zdisin and Ellram, 2001) this model tries to balance the cost of lost customer goodwill and opportunity cost that is incurred from not having enough inventory, with the cost of having excess inventory left at the end of a period.

Part-Period Balancing.

According to (Bart et al 2009) Part-period balancing attempts to select the number of periods covered by the inventory order that will make total carrying costs as close as possible to the set-up/order cost. When a proper lot size has been determined, utilizing one of the above techniques, the reorder point, or point at which an order should be placed, can be determined by the rate of demand and the lead time. If safety stock is necessary it would be added to the reorder point quantity.

Reorder point = Expected demand during lead time + Safety stock

Thus, an inventory item with a demand of 100 per month, a two-month lead time and a desired safety stock of two weeks would have reorder point of 250. In other words, an order would be placed whenever the inventory level for that good reached 250 units. Reorder point =100/month × 2 months + 2 weeks' safety stock = 250

2.2 Relationship between Inventory Management Techniques and the Performance Of Organizations

According to Likert (2003) manual perusal of the inventory levels on a daily basis is one of the ways to facilitate re-ordering under computerized system. Under this plan a print out is generated of all items in inventory and is examined by the inventory manager, who decided when and how much to order based on usage rates and expected future needs. ABC analysis and minimum and maximum meters of establishing inventory review plans are vital and they are useful for both manual and computerized systems.

Vilfredo (1848-1923) an Italian Swiss engineer and economist believes that a 20 percent of a country's population does 80 percent of the work. Today's inventory control manager refines Pareto's arguments into three priority categories A, B and C. The A items may number only 10 or 20 percent of the inventory's total number of items. The B items number perhaps only 10 to 15% of the total inventory. The C items number perhaps 65 percent of all items in inventory. Typical advantages that have resulted are concentrated on class A and B and on using larger order quantities on C. reduced purchasing department costs through processing of fewer orders. Reduced receiving and inspection cost through the elimination of the handling and processing of materials as well as paper work for many small vale items. Reduced materials handling and internal traffic costs because of fewer and easier loads.

The broad for determining inventory policy rests with general management because inventories figure prominently in a company's financial operations. However, the actual management of inventory is usually entrusted to subordinate departments. There is considerable variation in which a department manages inventory control procedures. The customers' service level that the firm wants to maintain and the stock out reveals that the leverage require defining as part of management's responsibility for inventory control.

In a few companies an inventory control committee has been established to initiate broad control policies with the administration of the policies left to the purchasing department. Representatives of all the company departments affected by inventory control policies fit on such committees (Lei, D, Slocum and Pitts 1999).

Like purchases Leenders/Fearon, (1997) assess that inventories may be classified in a variety of ways including ABC analysis. Nature of items carried are frequency of use. Modern computer and word processing systems allow extensive automation of purchasing and inventory control. Control of all items is improved and a managerial time freed for the negotiations value engineering, research and other managerial tasks necessary to deal effectively with A and B items.

Leenders/Fearon (1997) has a different description on inventory control. Many purchases cover repetitive items held in inventory. Thus inventory has a great influence on purchase-quantity decisions. The questions of how much to order, when and how much continuous improvements examinations along with the flows on quality and customer, employee and supplies satisfaction. It is important in making delivery inventory or purchase order size decisions to understand why inventories exist and what the relevant trade off- are. The rapidly changing environment within which an inventory complicates inventory management and purchasing planning is carried out. Inventories always seem to be too big, too small of the wrong type or in the wrong place.

With changing economic conditions, what is too little is one period may easily become too much in the next. Because of the high cost of carrying inventory many systems have been developed to reduce stocks (Hellen, 1993). Japanese manufactures have spearheaded such efforts in mass production industries. Suppliers often located very near the plant deliver directly to the point of use in the plant and at very frequent interval. The use of Kanbans and a variety of just in time inventory management schemes have revolutionized manufacturing thinking about all form of inventories. Never the less it is useful to understand the nature and costs of inventories so that appropriate policies and procedures can be developed for specific organizational needs (Michael, E. Porter, 1994).

Inventory exists for this reason alone, the relevance of the decision to be made. Carrying, holding or possession costs. These include handling charges, labour and operating costs, insurance premium, breakage, pilferage, obsolescence, taxes and investment or opportunity costs. In short any cost associated with having as opposed to not having inventory is included. Other costs may include ordering costs, or purchase costs, set-up costs, stock out and price variation costs (Ronald, H. 1999),

According Halachmi and Bouckart (2005) inventories have the following purposes including: to provide and maintain good customer service; to smooth the floor of goods through the productive process, to provide protection against the uncertainties of supply and demand and to obtain a reasonable utilization of people and equipment.

Transit or Pipelines Inventories are used to stock the supply and distribution pipelines linking an organization to its suppliers and customers as well as internal transportation points. They exist because of the need to move materials from one point to another. Obviously transit inventories are dependent on location and mode of transportation. A decision to use a distant supplier will probably create a far larger raw materials transit inventory than one to use a local supplier with truck delivery. In just in time (JIT) production a variety of means are used to reduce transit inventories including the use of local supplies, small batches in special containers and trucks specifically designed for side loading in small quantities (Ronald .H, 1999).

However Alvesson (2001) argued that cycle inventories arise because of management decision to purchase, produce or sell in lots rather individuals units or continuously. Cycle inventories accumulate at various points in operating systems. The size of the lot is a trade off between the cost of handling inventory and the cost of making more frequent orders and set ups. A mathematical description of this relationship, the economic order quantity is very vital. In JIT the need for cycle inventory is reduced by set up cost and time reduction.

Malcom, S. (2005) Buffer or uncertainty or safety stocks exist as a result of uncertainties in demand or supply. Raw materials, purchased parts or MRO buffer stocks give some protections against the uncertainty of supplier performance due to shut down, strikes, led time variations, late deliveries to and from suppliers, poor quality units that cannot be accepted and so on. Work

in process buffer inventories protect against machine break down, employee illness and so on. Finished goods buffer protect against unforeseen demand or production failures. Management efforts to reduce supply uncertainty may have substantial pay off in reduced inventories.

Ronald, H (1999), Purchasing or production solutions may also permit order quantities to be reduced, the other factor that has an immediate and direct effort on average stock level. Both purchasing and production can concentrate efforts on acquiring or making batches of a smaller size, without increasing the unit price or cost (Note that this is reversal of the Western belief in the efficacy of large batch sizes in order to reap the apparent advantages of economies of scales). Large batch sizes mean making goods in large quantities, ahead of immediate demand and hence lead to a build up of inventories. The EOQ/EBQ equation was of rational attempt to tackle the root causes of the problem. The Japanese, on the other hand saw that it is the times and cost of setting up (or preparing) machines and processes for production could be reduced, then batch sizes could be made smaller and in line with immediate short term demands. Large batch sizes also have implications with regard to the management of time. It takes a longer time to produce the whole batch thus tying up capacity to produce goods in quantities that are not needed immediately. Longer lead-times and longer periods of time laid in stock are the out come of many products. The point to emphasize is that lead-time may not be independent of the quantity decision, an assumption of most stock control techniques (Colvin and Slevin, 2007).

Increasingly, large online advertising buyers can't cost-effectively buy enough audience reach. Publishers have an "inventory performance problem" in that 20 percent of their audiences generate 80 percent of page views. Buyers find the problem is just being passed on them. It seems that for large online buyers in particular, 80 percent of their campaign frequency goes to only 20 percent of their target audience. That 20 percent audience share is becoming saturated with messages from the top online advertisers. There's almost no way to effectively segregate, buy, and deliver audience-coordinated campaigns across multiple publishers, portals, and networks. As a result, every time the buyers try to extend their reach, they end up receiving more frequency against that saturated 20 percent. This means lots of wasted impressions and lots of wasted money (Halachmi and Bouckart, 2005).

According to Ronald, H (1999), inventories are stockpiles of raw materials, supplies, components, work in process and finished goods that appear at numerous points throughout a firm's production and logistic channel. Inventories are frequently found in such places as warehouses, yards, shop floors, transportation equipment and on retail store shelves. Having these inventories on hand can cause between 20 and 40 percent of their value per year. Therefore, carefully managing inventory levels makes good economic sense in relation to the performance of the business organization. Even though many strides have been taken to reduce inventories through just in time, time compression and quick response purchases applied throughout the supply channel, the annual investment in inventories by manufacturers, retailers and merchants wholesalers.

Inventory management process is the science-based art of controlling the amount of stock held in various forms, within a business to meet economically the demands placed up one that business. The aim of inventory control system is to maintain the quantities of stock held by a business at a level which optimizes some management criteria such as minimizing the costs incurred by the whole business enterprise for improved performance (Halachmi and Bouckart, 2005).

Malcom, S. (2005) Buffer or uncertainty or safety stocks exist as a result of uncertainties in demand or supply. Raw materials, purchased parts or MRO buffer stocks give some protections against the uncertainty of supplier performance due to shut down, strikes, led time variations, late deliveries to and from suppliers, poor quality units that can not be accepted and so on. Work in process buffer inventories protect against machine break down, employee illness and so on. Finished goods buffer protect against unforeseen demand or production failures. Management efforts to reduce supply uncertainty may have substantial pay off in reduced inventories.

2.3 Concept of Performance

Performance is a measure of the results achieved. Performance efficiency is the ratio between effort extended and results achieved. The difference between current performance and the theoretical performance limit is the performance improvement zone. Performance assumes an actor of some kind but the actor could be an individual person or a group of people acting in concert. The performance platform is the infrastructure or devices used in the performance act (Malcom, S. 2005).

According to Likert (2003) there are two main ways to improve performance: improving the measured attribute by using the performance platform more effectively, or by improving the measured attribute by modifying the performance platform, which in turn allows a given level of use to be more effective in producing the desired output. Performance can be measured by obtaining the magnitude of a quantity, such as length or mass, relative to a unit of measurement, such as a meter or a kilogram.

Performance involves performance improvement is the concept of organizational change in which the managers and governing body of an organization put into place and manage a programme which measures the current level of performance of the organization like inventory management and then generates ideas for modifying organizational behavior and infrastructure which are put into place to achieve higher output. The primary goals of organizational inventory management are to increase organizational effectiveness and efficiency to improve the ability of the organization to deliver goods and or services (Ronald, H 1999). Performance improvement at the operational or individual employee level usually involves processes such as statistical quality control. At the organizational level, performance improvement usually involves softer forms of measurement such as customer satisfaction surveys which are used to obtain qualitative information about performance from the viewpoint of customers.

2.4 Performance Indicators

According to Halachmi, A, & Bouckart G. (2005); argued that financial ratios are useful indicators of a firm's performance and financial situation. Most ratios can be calculated from information provided by the financial statements. Financial ratios can be used to analyze trends and to compare the firm's financials to those of other firms. In some cases, ratio analysis can predict future bankruptcy. Financial ratios can be classified according to the information they provide. The following types of ratios frequently are used:

Liquidity ratios provide information about a firm's ability to meet its short-term financial obligations. They are of particular interest to those extending short-term credit to the firm. Two frequently-used liquidity ratios are the current ratio (or working capital ratio) and the quick ratio. The current ratio is the ratio of current assets to current liabilities. Short-term creditors prefer a high current ratio since it reduces their risk. Shareholders may prefer a lower current ratio so that more of the firm's assets are working to grow the business. Typical values for the current ratio

vary by firm and industry. For example, firms in cyclical industries may maintain a higher current ratio in order to remain solvent during downturns.

One drawback of the current ratio is that inventory may include many items that are difficult to liquidate quickly and that have uncertain liquidation values. The quick ratio is an alternative measure of liquidity that does not include inventory in the current assets. The current assets used in the quick ratio are cash, accounts receivable, and notes receivable. These assets essentially are current assets less inventory. The quick ratio often is referred to as the acid test. Finally, the cash ratio is the most conservative liquidity ratio. It excludes all current assets except the most liquid: cash and cash equivalents. The cash ratio is an indication of the firm's ability to pay off its current liabilities if for some reason immediate payment were demanded.

Asset turnover ratios indicate how efficiently the firm utilizes its assets. They sometimes referred to as efficiency ratios, asset utilization ratios, or asset management ratios. Two commonly used asset turnover ratios are receivables turnover and inventory turnover. Receivables turnover is an indication of how quickly the firm collects its accounts receivables. The receivables turnover often is reported in terms of the number of days that credit sales remain in accounts receivable before they are collected. This number is known as the collection period. It is the accounts receivable balance divided by the average daily credit sales. Another major asset turnover ratio is inventory turnover. It is the cost of goods sold in a time period divided by the average inventory level during that period. The inventory turnover often is reported as the inventory period, which is the number of days' worth of inventory on hand, calculated by dividing the inventory by the average daily cost of goods sold.

Financial leverage ratios provide an indication of the long-term solvency of the firm. Unlike liquidity ratios that are concerned with short-term assets and liabilities, financial leverage ratios measure the extent to which the firm is using long term debt. Debt ratios depend on the classification of long-term leases and on the classification of some items as long-term debt or equity. The times interest earned ratio indicates how well the firm's earnings can cover the interest payments on its debt. This ratio also is known as the interest coverage.

Profitability ratios offer several different measures of the success of the firm at generating profits. The gross profit margin is a measure of the gross profit earned on sales. The gross profit margin considers the firm's cost of goods sold, but does not include other costs. Dividend policy

ratios provide insight into the dividend policy of the firm and the prospects for future growth. Two commonly used ratios are the dividend yield and payout ratio. However, a high dividend yield does not necessarily translate into a high future rate of return. It is important to consider the prospects for continuing and increasing the dividend in the future. The dividend payout ratio is helpful in this regard.

2.5 The Challenges Faced By Company in Managing the Inventories.

Inventory management challenges can interfere with a company's profits and customer service. They can cost a business more money and can lead to an excess of inventory overstock that is difficult to move. Most of these problems are usually due to poor inventory processes and out-of-date systems (Gourdin et al, 2001).

According to Lambert et al (2001), mentions a number of challenges in inventory management which include: unqualified employees in charge of inventory, using a measure of performance for their business that is too narrow, a flawed or unrealistic business plan for a business for the future and not identifying shortages ahead of time. Having people in charge of inventory without adequate training, experience or who neglects the job will lead to inventory problems that will result into poor organizational performance. The use of a measure of performance for business that is too narrow. This is a situation where the performance measure are not wide enough and do not encompass all the aspects of the organization. Many areas get overlooked and can lead to either inventory shortages or inventory stockpiling.

A flawed or unrealistic business plans leads to failure in predicting how well a company may do in the future. This affects inventory management because if a company predicts more growth than they actually experience, it can lead to an overstock of inventory. The opposite is true if forecasters do not predict enough growth and are left with not enough inventories. Failure to identify shortages a head leads to lack of enough products in stock to meet customer demands which spoil customer relations. The staff in charge of inventory management should look over their inventory on a regular basis to make sure enough products are in stock.

According to Braglia (2004) and Montanari (2004) are bottlenecks and weak points in delivery which slows down deliveries and systems; "bullwhip effect" an over-reaction by an organization

to changes in the market that leads to un necessary over overstocking; distressed stock in inventory; excessive inventory in stock and unable to move it quickly enough; inaccurate computer assessment of inventory items for sale and complicated computer inventory systems.

The above challenges lead to over stocking, under stocking and Inventory costs which reduces the working capital required. Holding stock is an expensive business; it estimated that the cost of holding stock each year is 1/3 of its production or purchasing (Johnson, 1998). The cost include: interest on capital invested in stock, storage space - rent, lighting, heating, refrigeration and air conditioning, Insurance and security, deterioration and obsolescence, loss of future sales and labour frustrations over stoppages (Granville, 2007).
In the United States, some of the largest concerns of small business owners are insurance costs (such as liability and health), rising energy costs and taxes. In the United Kingdom and Australia, small business owners tend to be more concerned with excessive governmental red tape. Another problem for many small businesses is termed the 'Entrepreneur
ial Myth' or E-Myth. The mythic assumption is that an expert in a given technical field will also be expert at running that kind of business (Ronald, 1997).

According to Kabuye-Kagimu, (1994), small businesses often face a variety of problems related to their size. A frequent cause of bankruptcy is undercapitalization. This is often a result of poor planning rather than economic conditions - it is common rule of thumb that the entrepreneur should have access to a sum of money at least equal to the projected revenue for the first year of business in addition to his anticipated expenses.

In addition to ensuring that the business has enough capital, the small business owner must also be mindful of contribution margin (sales minus variable costs). To break even, the business must be able to reach a level of sales where the contribution margin equals fixed costs (Mayanja, 1992).

However Kizito-Mayanja, (1994) argued that finding new customers is the major challenge for Small business owners. Small businesses typically find themselves strapped for time but in order to create a continual stream of new business, they must work on marketing their business every

day. Common marketing techniques for small business include networking, word of mouth, customer referrals, yellow pages directories, television, radio, outdoor (roadside billboards), print, email marketing, and internet. Electronic media like TV can be quite expensive and is normally intended to create awareness of a product or service. example, if the prospective owner thinks that he will generate $100,000 in revenues in the first year with $150,000 in start-up expenses, then he should have no less than $250,000 available. Failure to provide this level of funding for the company could leave the owner liable for all of the company's debt should he end up in bankruptcy court, under the theory of undercapitalization (Kayumbu, 1994).

Lucay (1994) observes that excessive levels of stock are undesirable because they increase the risks of inventory becoming obsolete, stock loss through damage and theft, increased storage costs like rent, insurance and unnecessary tie up of the firm's funds. He further state that a firm would be foregoing profits when it continues maintaining excessive levels of inventory, which implies that the probability position of the firm is being threatened in the long run since funds are not being invested in other profitable ventures.

Gupta (1994) observes that organizations should establish proper inventory control procedures, efficient and effective information system regarding stock so that they are able to balance the costs and risks of inventory control against the benefits got from having inventory readily available for smooth operations.

Lower levels of inventory are also undesirable because it interrupts production, loss of good will and high ordering costs especially when ordering is frequent. Inadequate inventory levels leads to business closure due to shifting of customers to other efficient suppliers as a result of production/ operation interruptions (Gittinger 1995).

According to Kenneth and Brian (2006) said that there are four aims of inventory management which include the following; Provide both internal and external customers with the required services levels in terms of quantity and order rate fill; Ascertain present and future requirements for all types of inventory to avoid over-stocking while avoiding "bottlenecks" in production; Keep costs to a minimum by variety reduction, economical lot sizes and analysis of costs

incurred in obtaining and carrying inventories and to provide upstream and downstream inventory visibility in the supply chain.

Transport costs: This is the most important costs that every company must incur, because it is very essential as far as proper inventory management is concerned. This is due to poor roads and high prices of fuel allowing different inventory flow assumptions means that two businesses with identical operating results can report dramatically different amounts of profit. To avoid this possibility, GAAP would have to require that all firms use the same inventory flow assumptions. As desirable as it might be for GAAP to reduce the number of acceptable, but widely divergent inventory flow assumptions, this is not likely to happen any time soon. This means that financial statement users must be aware of the effect of these flow assumptions in comparing one firm's performance to another. (Masiko Hirary, 2005).

Storage and Handling – Examples of storage costs would include the actual space required to contain the inventory, the climate control, shelving and furniture (for the inventory personnel), and utility costs. Are the costs associated with the storage space real? Yes, because the organization pays to rent or own that space which could be used for another purpose. Facilities that are bursting at the seams certainly understand these costs better than others. Also organizations that must expand existing storage space for an expanding inventory also understand these costs. Examples of handling costs would include the personnel time associated with receiving and stocking parts, organizing the inventory room, issuing parts, and producing the paperwork for each of these tasks. How many individuals are required to accomplish these tasks? These costs may be more difficult to identify if no one is dedicated full time. However, the costs are present even if the tasks only take part of a person's time. (Masiko Hirary , 2005).

Insurance and Taxes – Coverage of inventory is part of any general business insurance policy. If the inventory is significant enough in value, separate coverage may be required. Specific taxes on inventory and property taxes (yes, inventory is considered as property) can vary by state. Identifying the taxes by each state is beyond the scope of this article but do recognize that taxes do exist (Tumugumye Bernard ,2005).

Obsolescence – Costs associated with obsolescence can occur for a variety of reasons but one of the more common ones is holding on to inventory for a long period of time. Our industry may seem like it moves at a snail's pace when it comes to technology changes but be assured that

Obsolescence – Costs associated with obsolescence can occur for a variety of reasons but one of the more common ones is holding on to inventory for a long period of time. Our industry may seem like it moves at a snail's pace when it comes to technology changes but be assured that change does occur. For example, service bulletins and directives can, in some cases, render an item obsolete immediately. What if you have many of those items on your shelf? What if your fleet changes? Do you still have items associated with the old aircraft, for which you can only get cents on the dollar? Avionics has changed significantly recently. Do you still have old instruments that are worth little when compared to the original purchase price? Upon closer examination, obsolescence is probably more common than first realized. (Kanyandago Peter, 2004).

Theft and Damage - Rather than dwell on the unpleasant subject of theft suffice it to say that if the proper controls are not in place, an organization is exposed to the risk of theft. Damage can occur in a variety of ways – parts are not stored properly, climate control is not reliable, procedures for moving heavy parts are not clearly defined, and parts remain in inventory long periods of time.

Cost of Money – This is one of those categories that people may disagree with and believe that this involves less than "real" money. Rather than argue that point, recognize that an organization has limited resources and through proper management allocates those resources to efforts that will yield the greatest return on their investment. Inventory might be one of those investments. But if the money was not invested in inventory, the organization could invest its money elsewhere and make a return. A simple example is if an organization took its money and invested it conservatively in something like Certificates of Deposits, it would realize a modest return. Is that returning better than investing in inventory? If the answer is yes, then the money should not be allocated to inventory. (Kanyandago Peter, 2004).

Adam and Ebert state that "carrying or holding cost is the real out of pocket cost associated with having inventory on hand". The cost is directly proportional to quantity per order. Carrying cost contains costs that are quantity and time dependent such as cost of storage, space, light, heat maintenance, rent, pilferage, deterioration, spoilage, handling & packages. It also has cost that are value and time dependent such as capital cost, insurance cost and cost of obsolescence and depreciation. Carrying cost for mot organizations is normally between 20% to 25%.

Adam and Ebert said "shortage or Stock out cost is cost associated with demand when stocks have been depleted. They take the form of lost sales, cost or back order costs". When demand of inventory is greater than supply of inventory, then shortage takes place. It is the cost of not having inventory. The cost of shortage include payment of overtime due to stock-outs, special administrative expenses due to stock outs, loss of sales and loss of goodwill.

CHAPTER THREE

3.0 REASEARCH METHODOLOGYS

3.0 Introduction

This chapter will outline in detail the manner in which the study will be executed. It will highlights research design, area of the study, study population sample procedure, sample size, data sources, instruments of data collection, validity and reliability of research tools among others.

3.1. Research Design.

The study adopted a case study design on inventory management and organizational performance of Kane freight logistics in Kampala district. This study design was considered appropriate as it aimed to make an in-depth analysis with a view to discover more information and relationship among the variables in the study.

3.2 Area of the study

The study focused on Kane freight logistics Kampala district due to each convenient location that enabled the researcher to acquire the necessary information quickly since the company has organized structure that would enable easy collection of data from different departments.

3.3 Study population

The population for the study was 70 people consisting of which some was clients and others was employees that included procurement manager, middle level managers, supervisors, store keepers among other employees working at Kane freight logistic company. Target population referred to the entire group of the individuals to which a researcher was interested in generalizing the conclusions (Catillo, 2009). Since the study population will be large, the target population will only be 40 to the study population.

3.4 Sample procedure

The study used non probability sampling to select some members of Kane Freight Company to represent the entire company. This is the method where the researcher is interested in getting a good sample that can represent a population. In this method, members have different chances of being selected. It involves purposive sampling and convenient or accidental sampling.

Purposive sampling is where participants who have the required information according to the objectives of his or her study. The participants are selected according to researcher's interest in them but the the researcher must specify the procedure of choosing the participants, for example a given Age, range religion sect, education level among others.

Convenient or accidental sampling is where one selects participants depending on how easily he/she can find them (for example in a radio program, they ask few listeners who can cal in). This method involves use of volunteers or the existing group.

3.5 Sample size

The sample size was only 40 respondents and was chosen from different department in order to get required information for this study and to manage data collection

Table 1: Sample size

Category of population	Sample size
Clients	25
Company employees	15
Total	N=40

3.6 Sources of data

3.6.1 Primary data

Primary data was collected from respondents such as store keepers, clients and other staff and management members of Kane freight logistic company in Kampala district by asking them questions. The questions was related to inquiries on inventory management systems applied in the company and their effect on operational performance. Both open-ended and closed-ended questions were used. The researcher was required to guide those respondents who could not be able to interpret and follow the questions in the questionnaires.

3.6.2 Secondary data

Secondary data was obtained from reports and records of Kane freight logistic company Kampala district. These reports contained the necessary information on inventory management practices applied in the company, logistic services, among others.

3.7 Instruments of data collection

3.7.1 Questionnaire

The researcher designed both open ended and closed ended self administered questionnaires which were distributed to the clients of Kane Freight Company. Then the collected responses was analyzed. This instrument was used since it was considered as the best for measuring attitudes and eliciting other content required from respondents and instrument will be time saving.

3.7.2 Interview guide

The researcher designed an interview guide that included both direct and non direct questions relating to the topic of discussion and then presented the questions to the client's staff and management of Kane freight logistic company. The response that was collected was analyzed and then presented. This method was used as the way of getting in-depth and exact information that was needed by the researcher especially closed interviews aaaaand it reduced bias from the respondents.

3.8 Data Analysis and Presentation Procedure.

The quantitative data was analyzed using descriptive and inferential statistics. Descriptive statistics involved working out the mean, percentages and frequencies which were used to assess the correlation of the variables. The inferential statistics involved the use of regression analysis used to assess the correlation of the variables in the study; and the results thereof interpreted.

3.9 Validity and Reliability of research tools.

3.9.1 Validity

The structured questionnaires' validity was provided through adequate coverage of the topic under investigation as per the expert advice. According to Mugenda&Mugenda, (2003) expert opinion is used to check the content and format of an instrument to judge validity of the content. The construct validity was ascertained by defining clearly the variables to be measured.

3.9.2 Reliability

Reliability refers to the extent to which the data collection techniques or analysis procedures yielded consistent findings. According to Mugenda&Mugenda, (2003) the test-retest method of

assessing reliability of data involves administering the same instrument twice to the same group of subjects. Reliability of the instruments was provided through a test retest conducted in the same industry by using respondents who was not part of the study sample but work in similar company and in positions relevant to the research study.

3.10 Research ethical considerations

In observing ethical consideration, the researcher ensured good relationship with the respondents where he was required to present the introductory letter from the university to show that the information is for academic purposes only. The researcher also assured respondents of how the information will be confidential and anonymity.

3.11 Limitations and delimitations of the study

The researcher faced low response to some employees who were not willing to disclose the information of the company. This resulted into limited data collection

The researcher was also limited by time since the time given was not sufficient. This was also accompanied by financial constraints which made him to leave some required information.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND INTERPRETATION OF STUDY FINDINGS

4.0 Introduction

The chapter presents and discusses the findings of the study. The findings serve to reinforce the existing knowledge proven about the relationship between inventory management and organizational performance especially Kane freight logistic in Uganda.

The chapter involves presentation, analysis and interpretation of the study results. Data presented, analyzed and interpreted according to the research objectives. It is presented in the form of tables and figures basing on the responses got from the study respondents that were selected during the process of data collection.

The discussion of findings has been arranged in accordance with demographic characteristics of respondents' and objectives of the study as were formulated in chapter one of this report. These objectives include; to find out the techniques of inventory management used at Kane freight logistic Kampala branch, to examine the relationship between inventory management and performance of Kane freight company Kampala branch and to find out the challenges faced by Company Kane freight logistic Kampala branch in managing the inventories. The interpretation of the data intended to enable the researcher make appropriate conclusions and recommendations for better understanding of the research problem.

4.1 Background information of the respondents

The background information of the study was considered by the study so as to establish how different characteristics of the people could differently understand the relationship between inventory management and performance of Kane freight logistic company in Uganda. Regarding the background information, the following data was revealed by the study as follows.

4.1.1 Gender composition of the respondents

The gender of respondents was established. This aimed at knowing how males and females as community members actively participate at Kane freight logistic company in Uganda. The study targeted both male and female which gave a variety of findings that were not biased making it gender sensitive.

Table2: Showing gender composition of respondents

Gender	Frequency	Percentage (%)
Male	32	80
Female	08	20
Total	40	100

Source: Field data,

As illustrated in table 1, the study found out that the majority of the respondents were male as compared to the female. The number of males who participated in the study were represented 32(80%) as compared to less number 08(20%) of the female respondents. The less involvement of women at Kane Freight Company could be that most of the work done requires more energetic people since it is mostly manual and can best be done by men. In addition, most of the covered respondents in the production department were male.

4.1.4 Age composition of respondents

The age composition of the study respondents was also an important factor in the process of understanding the relationship between inventory management and performance of Kane freight logistic company in Uganda. This was so because different age groups were assumed to understand the study variables differently yet considered vital to the study. According to the study findings the respondents views were as in table 2.

Table3: Age composition of the respondents

Age range	Frequency	Percentage (%)
Below 30	02	05
30 -40	12	30
40 – 50	19	47.5

51 & above	07	17.5
Total	40	100

Source: Field data,

The table above (2) shows that, most of the respondents were between the ages of 40 – 50 accounting for 19(47.5%). Those in age bracket of 30-34 were 12(30%), those ranging from 50 and above were 07(17.5%) and those below 30 years were 02(05%). This implied that Kane freight has different employees with different age bracket who at the same time has different experience. This was shown in the table above where the highest range age bracket of 40-50 reaching their maturity with high experience that's why a company employs the highest number of such people who understands better the relationship between inventory management and performance of Kane freight logistics in Uganda

.4.1.2 Marital status of the respondents

The marital status of the respondents was also covered and analyzed to assess their views in relation to the study variables of relationship between inventory management and organisaational performance of in Uganda especially Kane freight logistic. This contained of those who were married, single, widowed, and separated/divorced.

Table 4: Showing marital status of the respondents

Marital status	Frequency	Percentage (%)
Married	32	80
Single	05	12.5
Separated/divorced	00	00
Widowed	03	7.5
Total	40	100

Source: Field data,

As seen in the table 3 above, majority of the study respondents constituting 32(80%) were married and these were followed by respondents who were single as reported by 05(12.5%) of the respondents finally 03(7.5%) were widowed as none of the study respondents reported to fall under the category of Separated/divorced. All these respondents of the study regardless of their status were willing to provide the information that was required by the study that helped in understanding the study problem that was under research. The gender distribution of the respondents implied that most of the people participating in the company are stable with families as they cannot easily leave their areas of operation in the process of providing their services to organizations.

4.1.3 Level of education of respondents

In order to get information from all categories of people, those that have attained primary, secondary, tertiary, and university levels of education were all approached during the study process. This established the levels of education of the respondents as indicated in table 4.

Table 5: Showing level of education of the respondents

Level of education	Frequency	Percentage (%)
Primary level	05	12.5
Secondary level	15	37.5
Tertiary level	08	20
University level	12	30
Total	40	100

Source: Field data, April 09, 2013

The table 4 above shows that most of the respondents had attained secondary level of education with 15(37.5%), followed by 12(30%) of the study respondents who had attained university level of education then tertiary level as was indicated by 08(20%) of the respondents, finally 05(12-5%) of the respondents who cited that had attained primary level of education. The study on further understanding showed that all the study respondents who had attained secondary and primary levels of education were mostly people in the production department as some were also performing differing tasks like offloading and loading the truck at the company. The above findings show that secondary leaver take a lead in participating at Kane freight company as compared to those with primary level, tertiary levels of education and University level of education. This is a manifestation that the information was from literate people and who understood the relationship between the study variables.

4.2 Techniques of inventory management used at Kane freight logistic Kampala branch.

The study objective one was set to find out the techniques of inventory management used at Kane Freight Company Kampala branch. According to the study findings, all (100%) of the respondents were able to understand the term inventory management as none of the study respondents was able to reveal of not understanding the same study variable. On further understanding by the researcher, some of the study respondents indicated that inventory management can also mean managing of stock in the organizations setting.

After understanding of the respondents knew of the term materials handling, the study went ahead to establish whether Kane freight Company was taking part in inventory management and findings from the study reported of the company taking part in managing its inventories despite using different techniques of inventory management as shown in Table 5.

Table 6: Techniques of inventory management used at Kane freight logistic Kampala

Techniques of inventory management	Yes	No	Frequency	Percentage (%)
Arrange inventories according to their importance	30(70%)	10(30%)	40	100
Purchase raw materials after the customers have ordered for goods	25(34.8%)	15(65.2%)	40	100
Produces inventories when our customers are in need of them	10(25%)	30(75%)	40	100
Recording of issued and sold inventories	40(100%)	00(00%)	40	100
Use of tied security system at the store	40(100%)	00(00%)	40	100

Source: Field data,

As illustrated in table 5, the researcher sought to know whether Kane freight logistic Company was arranging materials in stores according to their importance. This was answered by the respondents views, as indicated in the table 4.6 above as 30(70%)were in agreement as compared to the least of number of the study respondents cited by 10(30%)who were in a disagreement with the statement that Kane freight logistic Company was arranging inventories according to their importance. This means that the Company management pays attention to the inventory management of material in the store to a higher extent. From the above results arrangement of materials at Kane freight logistic Company for improved Company's performance especially in the production department was still wanting.

The researcher also sought to understand whether the Company was purchasing raw materials after the customers have ordered for goods. Results from respondents' views indicated

25(65.2%) disagreement responses with the statement and 15(34.8%) responses of agreement of which male respondents indicated as the majority. These study findings showed that organization like Kane freight logistic Company is not actually purchasing raw materials after the customers have ordered for goods from the Company as majority of the study respondents indicated.

The study findings as in table 5 indicate that most of the respondents disagreed with the statement that "Our Company produces inventories when our customers are in need of them "as was reported by 30(75%) of the respondents who disagreed wi9th the statement. However, the least 10(25%) of the respondents agreed with the same statement that "The Kane freight logistic Company produce materials when our customers are in need of them". The above is an indication that Kane freight logistic Company normally produces materials as not according to customers order but customers just reach the company to take what is already produced and those in the store department as the marketing department distributes what is produced to the customers who do not purchase the Company products direct from the main plant site.

The researcher was further interested in knowing whether Kane freight logistic Company records inventories purchased and sold. This was answered as indicated in the table above. From respondents' views, the Kane freight logistic Company records inventories purchased and sold. This is reflected by 40(100%) agreement as none of the study respondents covered was in the disagreed with the same statement. The results above, can be interpreted that Kane freight logistic Company records inventories purchased and sold at all times since the respondents covered by the study agreed with the statement and that it was using recording of inventories as one of the inventory management techniques for improved performance of the Company. This was substantiated by a view of one respondent who expressed that the Company issues different documents like invoices, goods received note, goods returned note and still that the company had a general book for recoding all the company diary transactions concerning the materials produced, received and issued at the company.

Qualitative results as obtained from the interview further confirmed the commonly techniques of materials handling used at Kane freight logistic Company to be including integrated system (System Application and products) responsible for management information system which helps to make serious decisions on stock, material requirement points, and over stock brands for the fast moving products, plus recoding of all the purchased and issued materials to the production and operations department of the Company.

In addition to the above findings from the study, respondents were able to indicate that for proper materials handling at Kane freight logistics Company the company management has resorted to use security alert with the aim of reducing theft cases of the Company goods for improving organization's efficiency. These results significantly show that inventory management is an important factor in improving the performance of the organization.

4.3 The relationship between inventory management and performance of Kane freight logistic company Kampala branch

The study also looked at whether there is a relationship between inventory management and performance of Kane freight Company Kampala branch. The views as per the study respondents revealed that all respondents believed that inventory management techniques has a relationship between inventory management and performance of Kane freight logistic Company Kampala branch, as none of the respondents was in the disagreement with the same statement that a relationship between inventory management and performance of Kane freight logistics Company Kampala branch exist.

Respondents from the study reported of the relationship between inventory management and performance of Kane freight logistic Company Kampala branch can be either negative or positive depending on the way how the method/technique is applied in the management inventories. The above information as per the study respondents significantly implies that managing of inventory techniques can either be negative or positive and these were further evidenced by the findings as in table 6.

Table 7: Showing kind of relationship between inventory management and performance

Relationship	Frequency	Percentage (%)
Positive	37	92.5
Negative	03	07.5
Total	40	100

Source: Field data, April 09, 2013

From the table 6 above, majority of the respondents 37(92.5%) said that materials handling techniques have a positive relationship between inventory management and performance of Kane freight logistic Company Kampala branch. The study respondents claimed that inventory management techniques have a positive influence on the performance of Kane freight logistic Company. The researcher went ahead and said that as such techniques of managing inventories help in proper planning of the materials needed by identifying the gap between the desired and the actual level of materials, allocation of resources, purchasing, sales and employment of staff and everything concerned to human resources management all of which reduces on the costs incurred by the organization in the production departments for improved performance of the company.

However some of these respondents said that the positive relationship of the inventory management techniques on the performance of Kane freight logistics Company Kampala branch depends on how the techniques are used by the users at the company plus the prevailing conditions like power inform of electricity.

The above results may hence indicate that proper use of inventory management techniques like application of JIT reduces on ordering costs such as air time costs, in organizations when employed. This was further evidenced by the study respondents who was able to say that" proper use of JIT had improves on the organizational performance like Kane freight logistic Company Kampala branch.

When the researcher inquired on issues related to whether recording of inventories at the company was helping in proper decision making, there was a high level of agreement as the

results indicate that all the respondents did not disagree that recording of inventories at the Company was helping in proper decision making as the distribution left none of the respondents who were in the disagreement with the same statement. In conclusion, results indicate that since almost all the decisions made by the Company management in the process of managing inventories aim at influencing the production department of the company for better Company results as recording of materials greatly influence on the Company's performance.

Qualitative results from the majority of interviewed participants on the matters concerning whether inventory management techniques have any influence on performance of production department of the company revealed that the influence between the two variables of inventory management techniques and the performance of Kane freight logistic Company Kampala branch exists. This is because respondents explained that good management of inventories maintains quality of the company products out of the production department, control time management especially during production process and that materials can be easily identified especially in the store department when need in the production section of the company. Most of the respondents still argued that proper materials handling reduce on labor with its associated costs for improved performance of the Company operations.

Also that, 03(07.5%) of the respondents indicated inventory management having a negative relationship on the performance of Kane freight logistic Company Kampala branch. These same respondents believed that, inventory management involves a lot of costs, inconsistence as there is over charging of customers, use of highly skilled workers in charge of managing inventories, theft, obsolescence among others all of which increase on the costs hence reducing much of the on the performance of the organization in question especially in the production department. These same study respondents further cited that purchasing of raw materials after the customers have ordered for goods from the company among the inventory management techniques influence the company performance in terms of profitability level negatively as most of the study respondents indicated that such does not help to maintain the company Customers.

However, basing on the most of the study respondents as eluded in table above, the study therefore established that there is a positive relationship of inventory management on performance private organizations like Kane freight logistic Company Kampala Branch as was revealed by majority 37(92.5%) of the covered respondents during data collection process.

4.4 Challenges faced by the Kane freight logistic Company Kampala branch in managing inventories

The last study objective sought of understanding challenges faced by the Kane freight logistic Company Kampala branch in managing the inventories and findings from the study respondents indicated that the company was facing challenges in the process of managing inventories. Regarding the same issue, all the respondents selected during the study agreed with the statement that there are Challenges faced by the Kane freight logistic Company Kampala branch in managing inventories as none of the study respondents disagreed with the same statement. The study on further findings established the following challenges among others faced by the Kane freight logistic Company Kampala branch in managing inventories as in Table 7.

Table 8: Showing challenges faced by the Kane freight logistic Company Kampala branch in

Challenges faced	Frequency	Percentage (%)
Loss of inventories	11	27.5
Un predetermined products demand	10	25
Opportunity costs	05	12.5
Administration costs	07	17.5
Theft	05	12.5
Others like (labour turnover, load-shedding etc)	02	05
Total	40	100

Source: Field data,

The table 7 shows that of the respondents covered by the study majority revealed loss of inventories among challenges faced by the Kane freight logistic Company branch in the process of inventory management as was revealed by 11(27.5%) of the study respondents, this was followed by un predetermined products demand by the company customers as was reported by 10(25%) of the respondents, then 07(17.5%) of the respondents that was reported by

administration costs in relation to the people responsible for the managing inventories, opportunity costs and theft that were indicated by 05(12.5%) of the study respondents each, then others like labour turn over and load-shedding with 02(05%) of the covered study respondents during data collection process.

On further established by the study, it was established that the above challenges affect the production department at Kane freight logistic Company's Kampala branch performance as sometimes reduce greatly on the performance level due to delays. Administration costs as having a department in the organization to supervise and investigate inventories accounts at the company as such costs were cited to involve the amount given to the administrators of the organization to control the inventory levels in the to enhance the production department of the company The above study results are also an indication that there are still challenges faced at Kane freight Company's Kampala branch as organization in the process of managing inventories for improving the performance of the company.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter contains summary of the study findings, conclusions, recommendations and suggestions for further studies. The summary of the study findings, conclusions and recommendations were done in accordance to study objectives as follows.

5.1 Summary of the study findings according to objectives

The study showed that the common techniques of inventory management used at Kane freight logistic company Kampala branch include; **ABC** Analyisis which is a popular way to analyze inventory. Under this method, you classify the inventory into three categories, such as A, B and C. These categories are based upon the inventory value and cost significance. Also, the number of items and values of each category are expressed as a percentage of the total.

These study findings can be compared with Pandey (1995) who argued that since most organizations maintain different types of inventories with different value, minimum attention is devoted to different items with the highest value. The difference involves of the different classes of inventory leads to the inventory control model by importance and exception or ABC analysis (Rich mond 1969). The ABC analysis involves the following:-Classify the items of inventory determining the expected used in units and price per unit for each item, determine the total value of each item by price and units, rank items according to value, and determine Percentage (%) ratio or units of each item to total items and value. Also, Wood Frank (1996), the way materials are valued has implication on the firms reported profit and the material usage and balance there fore different inventory profit reported by firms. The different materials valuation techniques include Last In First Out (LIFO), First In First Out (FIFO), average cost method and net realizable value.

The study indicated that there is a relationship between inventory management and performance of Kane freight logistics Company Kampala branch. This is because respondents explained that proper managing of inventories maintains quality of the company products out of the production

department, control time management especially during production process and that materials can be easily identified especially in the store department when need in the production section of the company. Most of the respondents still argued that proper inventory management reduce on labour with its associated costs for improved performance of the Company operations.

The study respondents claimed that inventory management techniques has a positive influence on the performance of Kane freight Company they went ahead and said that as such techniques of managing inventories help in proper planning of the materials needed by identifying the gap between the desired and the actual level of materials, allocation of resources, purchasing, sales and employment of staff and every thing concerned to human resources management all of which reduces on the costs incurred by the organization in the production departments for improved performance of the company. However some of these respondents said that the positive relationship of the inventory management techniques on the performance of Kane freight logistic Company Kampala branch depends on how the techniques are used by the users at the company plus the prevailing conditions like power inform of electricity. These results indicate that proper use of inventory management techniques like application of JIT reduces on ordering costs such as air time costs, in organizations when employed. This was further evidenced by on the of the study respondents who was able to say that" proper use of JIT had improves on the performance of different organizations like Kane freight logistic Company Kampala branch.

The study findings also revealed that there was a high level of agreement as the results indicate that all the respondents did not disagree that recording of inventories at the Company was helping in proper decision making as the distribution left none of the respondents who were in the disagreement with the same statement. In conclusion, results indicate that since almost all the decisions made by the Company management in the process of managing inventories aim at influencing the production department of the company for better Company results as recording of materials greatly influence on the Company's performance. Qualitative results from the majority of interviewed participants on the matters concerning whether inventory management

techniques have any influence on performance of production department of the company revealed that the influence between the two variables of inventory management techniques and the performance of Kane freight Company Kampala branch exists. This is because respondents explained that good management of inventories maintains quality of the company products out of the production department, control time management especially during production process and that materials can be easily identified especially in the store department when need in the production section of the company. Most of the respondents still argued that proper materials handling reduce on labour with its associated costs for improved performance of the Company operations.

Also that, 03(07.5%) of the respondents indicated inventory management having a negative relationship on the performance of Kane freight logistic Company Kampala branch. These same respondents believed that, inventory management involves a lot of costs, inconsistence as there is over charging of customers, use of highly skilled workers in charge of managing inventories, theft, obsolescence among others all of which increase on the costs hence reducing much of the on the performance of the organization in question especially in the production department. These same study respondents further cited that purchasing of raw materials after the customers have ordered for goods from the company among the inventory management techniques influence the company performance in terms of profitability level negatively as most of the study respondents indicated that such does not help to maintain the company Customers. However, basing on the most of the study respondents as eluded in table above, the study therefore established that there is a positive relationship of inventory management on performance some organizations like Kane freight logistic Company Kampala branch as was revealed by majority 37(92.5%) of the covered respondents during data collection process.

The above study findings can be related with Ronald, H. (1999), who reported that inventory exists for this reason alone, the relevance of the decision to be made. Carrying, holding or possession costs. These include handling charges, labour and operating costs, insurance premium, breakage, pilferage, obsolescence, taxes and investment or opportunity costs. In short

any cost associated with having as opposed to not having inventory is included. Other costs may include ordering costs, or purchase costs, set-up costs, stock out and price variation costs.

Also, it was indicated by the study that there are challenges faced by Kane freight logistic Company Kampala branch in the process of managing inventories as none of the study respondents was able to disagree with the same statement. The study on further findings established the following challenges among others were faced by Kane freight logistic Company Kampala branch as loss in inventories, un predetermined products demand, opportunity costs, administration costs, theft, labour turnover, and load shedding among other challenges faced by Kane freight logistic Company in the process of managing its inventories at the company.

5.2 Conclusions

That the common techniques of inventory management used at Kane freight logistic company Kampala branch include; **ABC** Analyisis which is a popular way to analyze inventory. Under this method, you classify the inventory into three categories, such as A, B and C. These categories are based upon the inventory value and cost significance. Also, the number of items and values of each category are expressed as a percentage of the total.

That proper material handling technique plays an important function on the performance of organizations like Kane freight Company Kampala branch. This is because proper inventory management techniques was established to maintain proper running of the production department, controls quality of the company products out of the production department, control time management reduction on labour with its associated costs for improved performance of the Company operations, helping the Company production department to perform well, increase on the company profits, help in the assessment of taxes and help in the process of determining the company sales volume for understanding of the company performance and derive towards better performance of the Company.

In addition, it is concluded that the kind of relationship between inventory management techniques and performance of some organizations in Uganda like Kane freight logistic

Company can either be positive or negative depending on how the techniques of inventory management are used and how it is applied.

Lastly, the study concludes that the challenges faced by Kane freight logistic Company Kampala branch in the process of managing inventories include; loss in inventories, un predetermined products demand, opportunity costs, administration costs, theft and labour turnover, load shedding among other challenges faced by the company.

5.3 Recommendations

In light with the above study findings and conclusions, the following recommendations are made as under;

Since inventory management techniques do not normally lead to immediate efficiency of the Company for improved performance, the study recommends management in manufacturing companies to always forward planning, centralize the purchase and store function, carry out stock taking exercise periodically as if such factors are adopted together then performance and efficiency of the Company will be greatly influenced positively.

The study also recommends top management in most organizations to emphasis on the proper inventory management techniques and measuring of efficiency deviations to identify weaknesses in the process of managing inventories.

In addition, the study recommends managers in organizations especially those in developing countries like Uganda to always undertake forward production planning, this is because they will be able to know when the incoming sales orders can be scheduled for delivery and also takes into account current backlogs so that production and delivery schedules are realistic which will minimize inventory management costs.

It is also recommended that whether or not a perpetual/continuous stock control system is maintained, there should be continuous annual stocks take at the company. To this, procedures can be prescribed for this with emphasis on identifying damaged, slow moving, and obsolete stock and cut-off procedures.

In addition, inventories at Kane freight logistic Company Kampala branch should be continuously checked with actual stocks held by independent officials, and inquires made into all reconciling differences. If this done, theft challenge associated with inventory management will be minimized at the company premises.

5.4 Suggested areas for further researcher

The study was set to find out the impact of inventory management and performance of different organizations in Uganda while considering Kane freight logistic-Kampala Further studies are suggested on the following areas as under;

- The effect of materials handling techniques on employees efficiency in private organizations
- The relationship between labour turnover and employees' efficiency among different organizations in Uganda.

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APPENDICES

APPENDIX A: QUESTIONNAIRE FOR THE COMPANY WORKERS

I am **HalerimanaVicent** a year three Bachelor of supplies and procurement management student at amala international University carry out a study at this Company. Your feedback is very important as your inputs will be used for academic purposes only. I greatly appreciate if you could take a few minutes to provide me with information. Your response will be kept confidential and it will not be divulged to any person or institution outside this corporation.

Thank you in advance

SECTION A: BIOGRAPHIC DATA

(N.B Answer by Ticking where applicable)

1. Gender

(a). Female (b). Male

2. Marital Status

- Single (b) Married

(c) Divorced /separated (d) Widowed

3. Age

(a) Below 21 (b) 21-30

(c) 31-40 (d) 41& above

4. Education Level

- Primary (b) Secondary

(c) Tertiary (d) University

(e) Others (Specify) ----------

5. Religious affiliation

(a) Roman catholic (b) Anglicans

(c) Moslem (d) Pentecostal

(e). Others (specify) ----------

6. Position held in the company

SECTION B: TECHNIQUES OF INVENTORY MANAGEMENT USED AT K ANE *FREIGH COMPANY*

7. Do you understand the term inventory management?

(a) Yes (b) No

8. Is the company trying to manage its inventories?

(a) Yes (b) No

9. What are kinds in inventories that are managed at this company?

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10. List the methods used by Kane freight logistic Company Kampala branch in managing the inventories.

SECTION C: RELATIONSHIP BETWEEN INVENTORY MANAGEMENT AND PERFORMANCE OF KANE FREIGHT COMPANY

11. Do you think there is a relationship between inventory management and performance of this company?

(a) Yes (b) No

12. If Yes, what kind of relationship?

(a) Positive (b) Negative

Explain you answer above in Question 12.

SECTION D: CHALLENGES FACED BY KANE FREIGHT COMPANY AMPALA BRANCH IN MANAGING THE INVENTORIES.

13. Is the Company faced with challenges in the process of managing its inventories?

(a) Yes (b) No

14. If yes to Question 13, what are such challenges?

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15. What is your conclusion on the impact of inventory management on performance of your company?

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16. Any other comment

THANK YOU VERY MUCH

APPENDIX B: (INTERVIEW GUIDE FOR THE COMPANY CLIENTS)

I am HELERIMANA VICENT a year three Bachelors of supplies and procurement at Kampala international University carry out a study at this Company. Your feedback is very important as your inputs will be used for academic purposes only. I greatly appreciate if you could take a few minutes to provide me with information. Your response will be kept confidential and it will not be divulged to any person or institution outside this corporation.

Thank you in advance

- Gender of the respondent.
- Marital Status of the respondent.
- Age of the respondent.
- Education Level of the respondent.
- Religious affiliation of the respondent.
- Inventory control ways used at Kane freight logistic Company.
- Whether inventory control methods influence the performance of the Company.
- Whether the company is faced with challenges in inventory management?
- Recommendations on the impact of inventory management on organizational performance in Uganda.
- Conclusion on the impact of inventory management on performance of Kane freight logistic Company?

THANK YOU VERY MUCH