THE IMPACT OF STOCK MANAGEMENT ON THE SUCCESS OF AN ORGANISATION CASE STUDY: RWENZORI BEVERAGES (U) LTD.

BY

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A RESEARCH REPORT PRESENTED TO THE COLLEGE OF BUSINESS NAD MANAGEMENT SCIENCE IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELORS OF COMMERCE DEGREE (EXTERNAL) OF MAKERERE UNIVERSITY.

JULY 2011

DECLARATION

I Bashaija Ronald Baman, here declare that this research report is original and has never been submitted for the award of a degree in any University or institution.

Signature…………………………………………… Date……………………………………………

Bashaija Ronald Baman

APPROVAL

This is to certify that Bashaija Ronald Baman s' research under the title "The impact of Stock Management on the Success of an organization" using Rwenzori Beverages as a case study was under my supervision. I have given him the permission to submit the report for the examination.

Signature……………………………………………

Date……………………………………

Supervisor: MR. LUTARO GODWIN

DEDICATION

This report is dedicated to the almighty God, my father Mr. Bashaija Mathias and my mother Mrs.Banyegise Immaculate for their contribution towards my education.

ACKNOWLEDGEMENT

In crowning it all, I thank the almighty God for having been with me from the beginning, guiding me to the end of this research. Thank you Lord.

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My parents Mr.and Mrs Bashaija Mathias for their meager resources they sacrificed

My futher appreciation goes to my supervisor Mr. Lutaro Godwin for his sacrificed time, other lecturers as well as my fellow students of B-COM (EXTERNAL) 2004

ABSTRACT

The study on the Impact of Stock Management on organizational success was conducted in Mukono district using Rwenzori Beverages (U) Ltd as a case study. A total of 30 respondents were selected as representative sample departments of purchasing, production and stores.

The objectives of the study were, to establish the inventory management systems and techniques in place, to find out the costs associated with holding stock in an organization, to establish the measure of success in an organization and to establish the relationship between stock management and organizational success

The findings indicate that Rwenzori Beverages hold stock. The findings reveal that there is formal stock management and several techniques are applied to manage stock which includes stock taking and inventory level tracking.

The research further reveals that many factors combine to bring the organizations success a reality. These according to the research findings are; total cost reduction, increase in daily sales and sales turnover, reduced waste, customer satisfaction and profit levels. Stock Management has got a big impact on the success of an organization. Therefore organizations need to put enough emphasis on the stores department

The research forwards some recommendations such as;

Costs: Management needs to be aware that there are a number of costs directly or indirectly attributed to stock. These costs range from acquisition, storage and disposal costs. These costs need to be eliminated to absolute minimum.

Monitoring and evaluation; Precautionary measures therefore need to be put in place to guard against certain occurrences such as fire and theft. The researcher also put forward areas for further research and these are;

1. Procurement and materials acquisition and organizational efficiency
2. the relationship between stores department and other departments
3. Buyer supplier relationship and operational efficiency

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CHAPTER ONE

1.0 INTRODUCTION

This chapter covers the background of the study, statement of the problem, objectives of the study, the scope of the study, significance of the study and the operational definition of terms.

1.1 BACKGROUND TO THE STUDY

Many organizations in Uganda that do not have proper stock management systems in their operations face a lot of challenges most of which include dependency on the efficiency of the supplier, missed sales incase of stock outs, high costs of obtaining materials and poor customer service. However, organizations have recently found it as having a great impact on the success of the organizations (Frazelle, 2002; Jessop, 1986). Good stock management by a firm will lower costs, improve efficiency and ensure production while at the same time meet fluctuations in customer demand. It will give the firm a competitive advantage as more efficient production can feed through to lower prices and also customers are always satisfied as products will be available on demand.

Stock management has been defined by different scholars but all drive to the same meaning. The international dictionary of management (1995) defines stock management as the use of management techniques designed to determine and implement the holding of optimum levels of stock, whether raw materials stocks, bought out goods, work in progress, or finished goods. Stock availability is the most important aspect of customer service. The goal of stock management is therefore to increase financial returns on inventory while simultaneously increasing customer service levels (Frazelle, 2002).

Stock management directly affects both the value of the assets used in a business and the quality of services given to customers. Firms should therefore focus on just a few core activities which of course include stock management in order to maintain a long term competitive advantage. Using this approach which has been refined, companies have tried to focus on their stock and have set a stage for wide spread acceptance of advantages of stock management (Baily 1997;

Lewis 1970; Quinn 1992; Hamel and Prahalad 1994). Baily (1997) explains that it is widely feared that shortages of materials and certain products will be increasingly common in future. Whlie Kotler 1973 and Balachandrian (1975) argue that in times of shortages, the marketing problem shifts its location from selling to buying. Basing on this, Croell (1977) suggests that the purchasing department is expected to provide what is expected of in terms of stock taking, stores lay out and stock levels.

The scenario of stock management involves determining the purchasing practice and techniques and strategy. A supply strategy is seen by Porter (1999) as an integral part of the general competitive strategy of a firm. Determining the relationship to have with suppliers is therefore crucial in stock management (Bain, 1959, Lenders, 1965). Nair (1999) explains that stock management involves stock control, purchasing, stock losses, stock cover, stock turnover and general stores operations and materials handling. An example of effective stock management system is given by W. H. Smith who sells 100,000 product lines every year and more than a million orders are placed around 2,000 different suppliers to keeping the shelves stocked at precisely the right level is an exciting task. By feeding sales information directly in the computer, it enables stock to be replenished automatically and quickly and frees staff to help customers and increase sales which in turn lead to success (Daily Monitor 10th October 2004 p 21).

Firms that have not embraced the use of stock management in their operations have been reported to miss the chances of maximizing sales. So poor performing industries look to stock management to drive down costs improve performance and revolutionalise traditional systems of production. It is against this background that firms have realized the importance of stock management towards organizational success Lewis and Trevin (2000).

Success is the ability of a person or machine or an organization to do something well, (Longman Dictionary, 1987). Success measures are necessary for organizations because they show whether organizations are achieving their target set at strategic and operational levels (Kermally, 1997). Success of an organization is measured basing on many variables regarding customer satisfaction, sales volume, total cost reduction and meeting industry standards. According to Host (1992), sales volume and growth rate of change in sales are used to evaluate organizational

success. They are determined by evaluating marketing factors that influence sales, including marketing strategies, competition, promotional programs and distribution decisions.

The success of an organization can also be implied on how the organization achieves its mission and satisfy its customers' needs in the most competitive way. The organization is said to be successful when it can satisfy all its target customers in time, handle customer order in the right time and use the available resources effectively and efficiently.

Rwenzori Beverages (U) Ltd is one of the biggest mineral water Manufacturing Company in Uganda as well as East Africa. It is the first company in Uganda to manufacture Mineral water and have 80% market share in mineral water industry in Uganda (www.rwenzori.net). The factory is located on plot 588,592 block 111 Kiwanga Mukono District. It is 16kms from Kampala city centre on the road to Jinja. Rwenzori focuses its future on innovation and excellence in business. It has a well – equipped PET bottling plant, which can produce over 400,000 bottles per day. The water bottling lines can produce over 300,000 bottles per day. This reflects Rwenzori's desire to keep a pace with technological advances.

The company keeps different categories of stock including raw materials, finished products and maintenance repair and operations supplies (MROs), some of which include 500 ml, 1000 ml and 1500 ml water bottles, PET bottles for soft drinks, Plastic containers for cosmetics, chemicals and plastic bottles for medicines. Rwenzori looks forward to strengthening its market leadership through constant enhancement of excellence of its products through innovative manufacturing and marketing, reinvestments and an efficient countrywide distribution network and focuses on extending its market leadership up to at least 95% courtesy of company profile. The company has however not achieved the extra desired 15% of the market share probably because of poor stock management system in place. It is therefore feared that stock management could impact on the success of this organization (www.rwenzori.net).

1.2 STATEMENT OF THE PROBLEM

Stock management is a very important aspect in an organization, and it allows efficient balance of patterns of traffic flow, use of space, rapid and easy access to stock of input and output general efficient stores operation and customer satisfaction. It is however clear that Rwenzori Beverages (U) Ltd has failed to achieve the extra desired 15% of the market in the past two years, (www.rwenzori.net). This can probably be attributed to poor stock management systems in place. The researcher was therefore undertaken to establish the relationship between stock management and organizational success.

1.3 PURPOSE OF THE STUDY

The purpose of the study was to establish the impact of stock management on the success of an organization using Rwenzori Beverages (U) Ltd as case study.

1.4 RESEARCH OBJECTIVES
1. To establish the inventory management systems and techniques in place
2. To find out the costs associated with holding inventory in an organization
3. To establish the measure of success in an organization
4. To establish the relationship between stock management and organizational success

1.5 RESEARCH QUESTIONS
1. What are the inventory management systems and techniques in place?
2. What are the costs associated with holding inventory in an organization?
3. What are the measures of success in an organization?
4. What is the relationship between stock management and organizational success?

1.6 SCOPE OF THE STUDY

1.6.1 Content Scope
The study encompassed stock management as an independent variable while organizational success is the dependent variable. The study specifically focused on stock taking, and also investigated stock levels in organization.

1.6.2 Geographical scope

The research was conducted in Mukono district using Rwenzori Beverages (U) Ltd as a case study. It is located on plot 588,592 block 111Kiwanga Mukono district. It is 16 kilometers from Kampala city centre on the road to Jinja. It is known to be a large company enough in terms of stock management to cater for all the objectives of the study.

1.6.3 Period Scope

The study considered information from respondents for a period of two years. (2006-2008)

1.7 SIGNIFICANCE OF THE STUDY

The finds of the study will assist;

1. The organization (Rwenzori Beverages) to be aware of the relationship between stock management and organizational success and the recommendations will be used accordingly to reform stock problems that might be existing in their organization.

2. Future researchers will be provided with literatures and recommendations for future research.

3. The findings will also help other organizations to get an insight on how stock management impacts on organizational success.

1.8 OPERATIONAL DEFINITION OF TERMS

Stock cover, length of the time present stocks will last if sales continue at the same rate as in the immediate past.

Raw materials, Basic materials which under go changes through manufacturing process in the course of being incorporated into the final goods.

Work in progress, comprises incomplete items in the course of manufacturing.

Finished goods, items out of the production ready for use.

Success, this refers to achievement or attainment of desired goals or results.

Purchasing, the function responsible for obtaining by buying, lease, tenancy, franchise, or any other legal means of supplies, services or works required by an organization for use in operation or resale.

Stock, components and part finished goods kept in an organization's stores to be used in manufacturing at future date.

Stock taking, this is the physical counting of materials that are held in the store. **Stores layout**, this is how the stores floor is laid and how the materials are kept in the shelves.

CHAPTER TWO: LITERATURE REVIEW
2.0 INTRODUCTION

This chapter consists of related literature on stock management. It shows what has been written about stock management and how it impacts on the organization. The chapter covers the meaning of stock management, types of stock held in an organization, reasons why organizations hold stocks, stock management methods, costs involved in stock management, determination of stock levels, factors affecting stock levels, modern techniques, contribution of stock management, conclusion.

2.1 STOCK MANAGEMENT

The international dictionary of management (1995) defines stock management and use of management techniques designed to determine and implement the holding of optimum level of stock, whether stock, bought out goods, work in progress or finished goods. Lewis and Trevin (200) also define stock management as the process of regulating and monitoring the amount of goods available for sale so that there are always sufficient to meet demand. Stock management is essentially concerned with ensuring that the acquisition, storage, holding and usage of all types of stock are fully controlled at all times. That is making sure that firm has the right quantity of stock at the right place and at the right time.

2.1.1   Types of stocks held in organizations

Bandenhorst and Rooyen (2002) identify four groups pf stocks organizations hold. Raw material, work in process, finished goods and maintenance repair and operation goods (MRO), these are shown below.

2.1.2 Raw materials

Lysons (2002) explains raw materials as basic materials which undergo changes through manufacturing processes in the course of being incorporated into the final product. This stock may be commodities or extracted. Typically, raw materials are commodities such as grain, minerals and many more.

2.1.3 Work in process

This generally include all materials that has been released for initial processing up to materials that has been completely processed and is awaiting final inspection and acceptance before inclusion into final goods. Any item that has apparent but is not raw materials is considered to be work in process.

2.1.4 Finished goods

A finished good is a completed part that is ready for a customer order. (Sunil and Peter 2004). Therefore finished goods are stock of completed products. These goods are inspected and have passed final inspections requirements so that they can be sold directly to their final users, sold to a retailer or held in anticipation of a customer order.

2.1.5 Maintenance repair and operating supplies (MRO)

These are items that are used to support and maintain the production process and its infrastructure. Lysons (2000) explains that these goods are usually consumed as a result of the production process but are not directly apart of the finished product. Examples of MRO goods include oil, lubricants, coolants, uniforms, gloves, even office supplies such as staples, pens, papers are also part of MRO supplies.

2.1.6 Transit stock

Transit stock results from the need to transport items from one location to another, and from the fact that there is some transportation time involved in getting items from one location to another.

Sometimes this is known as pipeline stock. Merchandise shipping by truck or rail can some time take days or even weeks to go from regional warehouse to a retail facility. Some large firms such automobile manufacturers employ freight consolidators to pool their transit stock coming from various locations into the shipping source to take advantage of the economies of scale.

2.1.7 Theoretical inventory

In their book managing business process flows, principles of operations management, Anupindi, Chopra, Deshmukh, Van Meighem and Zemel discuss a final type of stock known as theoretical stock. They descried it as the average inventory for a given throughput assuming that there is no work in process item has to wait in a buffer. Theoretical stock is a measure of minimum stock needed to flow through the system without waiting.

2.2 REASONS WHY ORGANIZATIONS HOLD STOCK

According to Baily (2002), firms hold more stock that it is currently necessary to ensure that firms operate properly. He however identifies other reasons for holding stock as;

I. To ensure sufficient availability of items to meet customer needs.

II. To meet any future demand

III. To take advantage of any bulk discounts.

IV. To absorb seasonal fluctuations and variations in usage and demand

V. To provide a buffer between processes

VI. To increase sales there by increasing profits, if stock are held, a wider variety of products are offered and customer demand is more immediately satisfied because the product is available which prevent prospective customers from going else where.

2.3 STOCK MANAGEMENT METHODS

Stock can be controlled and managed using a stock card. This may literally a card, which is updated by hand or a file with in a computer system. The heart of all the systems is the paper work, and the effective of the system depends on keeping the records updated.

2.3.1 Manual Stock Management

According to Harngren, Bhiman, Forster, and Daer (1999), stock can be checked by physical checking and counting at the interval sufficient to an organization. This process is known as taking and establishes the actual quantity and hence the value of the stock will be included in the balance sheet. Many firms have used manual cards for a long time now. The time involved and risk of errors increases and the number of items that needs to be handled increase. This has led to automated or computerized system.

2.3.2 Computerized Systems

In computerized systems, the computer will automatically print a purchase requisition when stock reaches their re-order point (Drury, 1996). Stock management is an ideal activity to computers. Computers save time and take the ordering processor order processing easy. All tills are connected to a master computer. Deliveries are fed into computer, and then as sales are recorded, stock levels are adjusted.

2.4 STOCK TAKING

According to CIMA (1998), stock taking involves counting the physical stock at hand at a certain date, and then checking this against the balance shown in the clerical records. There are two methods of carrying out this process, which is periodic stocktaking and continuous stocktaking.

2.4.1 Periodic Stock taking

Periodic stock taking is "a process where by stock items are physically counted and then valued" (CIMA official terminology). This is usually carried out annually and the objective is to count all items of stock on a specific date.

2.4.2 Continuous Stock taking

Continuous stock taking is "the process of counting and valuing selected items at different times on a rotating basis" (CIMA official terminology). This involves a specialist team counting and checking at least once a year. The advantages of this system compared to periodic stocktaking are as follows;

   i. Staff morals are improved and standards are raised.
  ii. The annual stocktaking is unnecessary and the disruption it causes is avoided
 iii. Regular skilled stock takers can be employed reducing likely errors.
  iv. Control over stock levels is improved and there is less likelihood of overstocking or stock.
   v. Deficiencies and losses are revealed sooner than they would be if stocktaking were limited to an annual basis.

2.4.3 Stock Discrepancies

CIMA (1998) explain that stock discrepancies are different between the physical amounts of an item in store and the amount shown in the stock records. He explained that these can be disclosed by stock checks/stocktaking.

The discrepancies arise because of;

1. Incorrect entries on the bill card from the goods received note, material requisition and material returned note.

2. Pilferage, short issues, excess issues, returning of materials to the wrong bin or placing materials to the wrong bin ordinarily. CIMA raises concern that when discrepancies occur, the causes should be investigated and appropriate action be taken to ensure that it does not happen again.

2.5 COSTS INVOLVED IN STOCK MANAGEMENT

2.5.1 Carrying costs /holding costs

These arise when business holds stock of goods for sale, these cots include opportunity cost of the investment tied up in stock, costs of storage and stores operations, interest charges, insurance costs, risk of obsolescence and deterioration, theft and space rental. The contribution margin on the sale plus any contribution margin lost or future sales hurt by customer ill-will caused by stock outs (Harsher, Bhimani, Foster and Datar, 1999).

2.5.2 Purchasing costs

They consists of the cost of goods acquired from suppliers, freight and transportation costs, clerical and Administrative costs associated will purchasing, accounting for and receiving of goods. Discounts for different purchase order sizes and supplier terms affect purchasing costs.

2.5.3 Quality costs

The quality of a product or a service is its conformance with a pre announced or pre specified standards. Four categories of costs of quality are often discussed, that is prevention costs, appraisal costs, internal failure costs and external costs.

2.6 DETERMINATION OF STOCK LEVELS

Stocks are expensive both in themselves and in terms of the buildings and staff required to keep them safely and securely (Birchall and Morris, 1995). They continue to say that stocks of materials tie up a large proportion of the cash resources of a firm, especially if there is a long period between their purchase and receipt of cash after their eventual resale. Basing on the analysis of past stock usage and delivery times, a series of stock management levels can be calculated and used to stock at their optimum levels (a level which minimizes costs). These levels will determine when to order and how much to order.

2.6.1 Reorder level

It is a point at which a purchase order must be sent to the supplier for the supply of more materials. According to CIMA (1998), the reorder level is determined as below;

Reorder level = maximum usage x minimum lead time

2.6.2 Minimum level

It is the level which stock would not normally be expected to fall. It usually responds with buffer / safety stock, (Lyson, 2000) it is determined as below;

Minimum level = reorder level x (average usage x average lead time)

2.6.3 Maximum level

It is the level above which stock should not normally rise. It represents the normal peak holding, that is buffer stock plus the reorder quantity (CIMA, 1998). It is determined as below;

Maximum level = reorder quantity – (minimum usage x minimum lead time)

2.6.4 Buffer stock / safety stock

This is the difference between the maximum possible usage in the minimum possible lead time and the reorder level and is maintained to that, even if stock usage / or lead time are greater than anticipated, the organization will not run out of stock. (Birchall and Morris, 1995)

According to Drury (2002), safety stocks are the amount of stock that is carried in excess of the expected use during the lead time to provide cushion against running out of stock.

2.6.5 Economic Order Quantity

According to Barfield, Raiborn and Darton (1991), Economic Order Quantity is an estimate of the costly number of units per order than would provide the optimal balance between ordering costs and carrying costs. Economic Order Quantity is determined by the formula below;

$$EOQ = \sqrt{\frac{2QO}{C}}$$

Where; EOQ = Economic Order Quantity in units

Q   = Estimated annual quantity in units

O   = estimated cost of placing order

C   = Estimated costs of carrying one unit in stock for one year

Moriarity and Carl (1948) wrote that Economic Order Quantity is the square root of twice annual demand times the cost to place an order divided by the cost to carry a unit of inventory for a year.

Figure 1: Economic order quantity
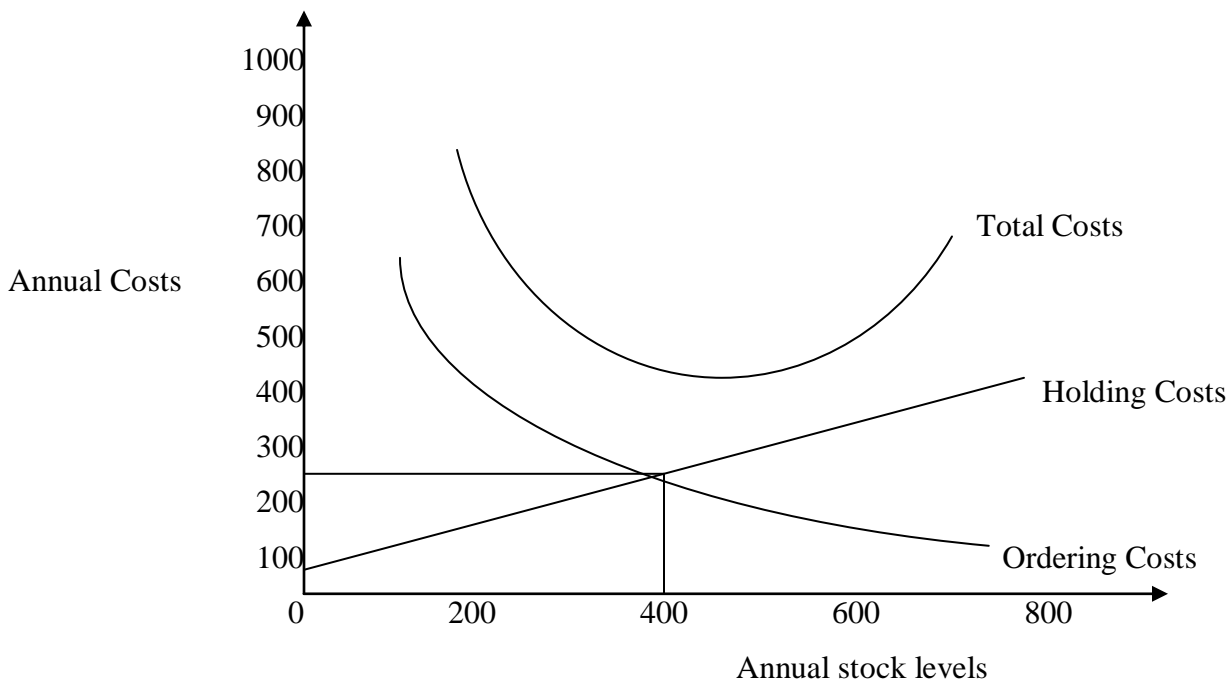
Source: Drury (2000) page 997

According to CIMA (1998), it is important that stock systems should have some mechanism where by order level and reorder quantity are adjusted according to changes in demand. Consequently, a stock management system should incorporate a feedback system to make new rules for holding more effective control in the future.

2.7 FACTORS AFFECTING STOCK LEVELS

Lead time, this is time between placing an order and when the order is actually received, (Maher, 1997). If the lead time is long, the stock must be maintained at high levels.

Stock holding costs, this is the cost of keeping the material in the store. According to Maher (1997), these costs increase with the number of units of inventory. If these costs are high, then stock levels should be high.

Availability, that is if a particular item of the material is easily available throughout the year, the stock level will be low.

Consumption / demand pattern, if any item of the material is demanded or used in greater quantities, then their stock level should be kept high.

Durability, stock levels of durable products can be maintained at a higher level. Incase of perishable goods, stocks should be kept at low levels.

Trade discounts, sometimes suppliers offer high discounts for large quantities. If the benefit of trade discount is greater than stock holding costs, the stocks should be kept at high levels.

2.8   MODERN TECHNIQUES IN STOCK MANAGEMENT

2.8.1 Just in Time stock management technique (JIT)

According to Lysons (2006), Just in Time is a manufacturing philosophy based on planned elimination of all forms of waste and continuous improvement of productivity. Just in Time is the exact adjustment of production to quantity and time held.

2.8.2 Vendor Managed Inventory

Recent research has shown the importance of improving the supply chain competitiveness by means of supply Chain Management and strategic alliance. Vendor managed inventory is considered as an important option in a strategic alliance, because Vendor Managed Inventory not only has the ability to reduce costs, but also to improve service levels and create business opportunities for all parties in the supply chain (Tyan and Wee, 2002).

2.8.3 Material Requirement Planning (MRP)

According to Sunk and Peter (2004), material requirement planning is a computer based resource management system designed for items that have dependent demand. It looks at order quantities period by period as such, allows discrete ordering (ordering only what is needed). In this way, inventory levels can be kept at a very low level; a necessary for complete item with dependent demand.

2.9 ORGANIZATIONAL SUCCESS

Success is the ability of a person or machine or an organization to do something well. Success needs a lot of work, effort and preparation (Longman Dictionary, 1987). Success measures are necessary for organizations because they show whether organizations are achieving their target set at strategic and operational levels (Kermally, 1997). Success of an organization is measured basing on many variables regarding customer satisfaction, sales volume, total cost reduction and meeting industry standards.

According to Host (1992), sales volume and growth rate of change in sales are used to evaluate organizational success. They are determined by evaluating marketing factors that influence sales, including marketing strategies, competition, promotional programs and distribution decisions. Sales problems are determined in order to understand seasonal variations, turn over rates for merchandise and customer profiles.

In human resource management of an organization when determining success, human relations must be evaluated to establish capabilities of employees, compensation trends, employee turnover. Better human resource management creates order, proper resource utilization and overall control of the organization, (Sransfield, Hawkins, Hudion and Daries, 1996)

2.10 THE RELATIONSHIP BETWEEN STOCK MANAGEMENT AND ORGANIZATIONAL SUCCESS

According to CIMA (1998), the objective of holding stock is to increase sales thereby increasing profits. If stocks are held, a wider variety of products is offered and customer demand is more immediately satisfied because the product is available which prevents prospective customers from going elsewhere.

Effective stock management maintains customer loyalty. It avoids ill-will of customers that may be caused by stock outs hence hurting or reducing future sales and profit margins. Building and maintaining customer loyalty means continued earning by the company. Frazelle, 2002, Jessup, 1986, explains that good stock management by a firm will lower costs, improve efficiency and ensure production can meet fluctuations in customer demand. It will give the firm a competitive

advantage as more efficient production can feed through to lower prices and also customers should always be satisfied as products will be available on demand. Poor stock management systems may lead to dependency on the efficiency of the suppliers, missed sales incase of stock outs, high costs of obtaining materials and poor customer service.

2.11 CONCLUSION

Analysis of literature indicates that most writers neglect pointing out the appropriate stock management methods while others do not recognize the added advantage of stock management.

CHAPTER THREE:

METHODOLOGY

3.0 INTRODUCTION

This chapter presents the research design, study population, study sample, instrument, sources of data, administration, data analysis and limitations of the study.

3.1 RESEARCH DESIGN

The study intended to establish the impact of stock management and organizational success. Therefore both quantitative and qualitative methods of analyzing data were used to obtain the information required.3.2 STUDY POPULATION

The study population was both junior and senior staff of the organization that is purchasing department, production and stores. This was done to avoid biasness in dealing with only one category of respondents. The researcher interviewed 30 respondents of Rwenzori Beverages (U) Ltd.

3.3 SOURCE OF DATA

The researcher used both primary and secondary sources. Primary data was collected physically from the respondents through interviews; questionnaires were distributed to the staff of Rwenzori Beverages (U) Ltd. Secondary data was collected through reading various literature of the organization and the research work of other researchers.

3.4 SAMPLING PROCEDURE

The study used purposive and simple random sampling, where the names of respondents were written on small pieces of papers for each respondent and mixed up in a box and then be picked one by one at random. All samples had the same and equal probability of being picked.

3.4.1 Sample size

The research targeted 30 respondents; that is, 15 from stores department, 8 from Purchasing department and 7 from Production and other departments.

Table 1: Expected Respondents

Category / department	Number
Purchasing	15
Production	8
Stores and others	7
Total	**30**

3.5. DATA COLLECTION

3.5.1. Questionnaires

The study used self administered questionnaires; the questionnaires were issued to respondents to answer in order to get findings. Self administered questionnaires were used because they give time to the respondents to fill the questionnaire without supervision. They are also free from bias because the data will be given directly by the respondents without any interference.

3.6 STUDY VARIABLES

The independent variable is stock management; defined as the use of management techniques designed to determine and implement the holding of optimum levels of stock, whether raw or attainment of desired goals or results. Success of an organization is measured basing on many variables regarding customer satisfaction, sales volume, total cost reduction growth rate of change in sales and meeting industry standards.

3.7 DATA PROCESSING AND ANALYSIS

3.7.1 Coding
The data collected was arranged in groups of similar questions from different questionnaires as answers were given unique looks to make the job easier.

3.7.2 Analysis
Percentages and tables were used for quantified items into frequencies and judgmental facts. Other methods were used to enhance simplicity and good understanding.

3.7.3 Editing
The data collected was edited for accuracy and completeness and to find out how well answered the questions. This was done in line with due considerations paid to questionnaires sent to the respondents so as to detect the gaps which may have been left to ensure data quality of this study

.3.8 DATA PRESENTATION AND CONCLUSION
Data was collected, sorted and organized by description. Data was then presented in tables showing frequencies and percentages. Pie charts were also used relative to respondents' answers.

3.9 LIMITATIONS OF THE STUDY
Research was a very lengthy exercise which involved procedures to be undertaken. The researcher met several problems indicated below.

1. Difficulties in meeting the intended respondents. Some respondents were unwilling to give information needed by the researcher

2. Financial costs, the financial requirements of this research were so high due to the distance between the researcher and the study area. Other costs which surged were, printing, photocopying, phone calls for making appointments with the respondents

3. There was little time to carryout the research because of conflict between work, studies and research itself.

CHAPTER FOUR: DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 INTRODUCTION

This chapter presents empirical finding in reference to the question in chapter one. They are presented in tables showing frequencies and percentages. These finding were obtained from both primary and secondary sources with the aim of evaluating the relationship between stock management and organizational management.

Table 2: Tabulation and interpretation of findings

Questionnaires	Quantity	Percentage
No. of questionnaires issued	30	100
No. of questionnaires received	28	93.3
No. of questionnaires not received	2	6.7

Source: Primary Data

From the table above, the response rate was 93.3, 6.7% and 100% from the respective departments of purchasing, stores and production. This is a high response rate to give this research good result.

Table 3: Respondents' gender

Gender	Response	
	Frequency	Percentage
Male	18	64.3
Female	10	35.7
Total	**28**	**100**

Source: Primary data

From the table above, out of the 28 respondents, 64.3% were male and 35.7% were females. This implies that majority of the workers are male

Table 4: How long respondents have been in service

Duration in service	Frequency	percentage
Less than 2 years	9	32.1
3-10 years	18	64.3
10-15 years	0	0
Over 15 years	1	3.6
Total	**28**	**100**

Source: Primary data

Table 5: Respondents' education level

Education level	Frequency	Percentage
Diploma	8	28:5
Degree	16	57
Masters	1	3.8
PHD	0	0
Others	3	10:7
Total	**28**	**100**

Source: Primary data

From the table above, 57% of the respondents hold degrees, 28.5% hold diplomas, and one had Masters while three are senior six leavers. The client profile is rather fair since the majority (89.3%) had attained tertiary education.

Table 6: Stock management techniques

Response	Frequency	Percentage
Manual	9	53.6
Computerized	15	32.1
Both	4	14.3
Total	**28**	**100**

Table 7: Whether the organization holds stock or not

Response	Frequency	Percentage
Yes	28	100
No	0	0
Total	**28**	**100**

From the table above, 100% of response shows that the organization holds stock. This is so because the organization can't operate without stock.

Table 8: Whether Rwenzori beverages carry on stock taking

Response	Frequency	Percentage
Yes	28	100
No	0	0
Total	**28**	**100**

From the finding above, all respondents said that the organization carries out stock taking by 100%

Table 9: Rate of stock taking

Response	Frequency	Percentage
Every day	12	42.9
Once a month	16	57.1
One a year	0	0
Not quite often	0	0
Total	**28**	**100**

The findings indicate that stock taking is done on daily basis by 42.9% and monthly by 57.1%. These finding are empirical that both continues and periodic reviews are applied in the organization.

Table 10: Whether the organization observe stock levels

Response	Frequency	Percentage
Yes	27	96.4
No	1	3.6
Total	**28**	**100**

Source: primary data

From the table above, 96.4% of respondents consent that the organization has stock control points of minimum, recorder and buffer stocks.

Table 11: Management contribution to organization success

Response	Extremely important		Very important		Important		Less important		Not important	
	Freq	**%ge**	**Freq**	**%ge**	**Freq**	**%ge**	**Freq**	**%ge**	**Freq**	**%ge**
Customer Satisfaction	16	57.1	7	27	5	17.9	0	0	0	0
Total cost Reduction	15	53.6	6	21.4	6	21.4	1	3.6	0	0
Increased Sales	15	53.6	10	35.7	3	10.7	0	0	0	0

Source: primary data

From the findings above, 57.1% attach extreme importance to customer satisfaction. 53.6% for total cost reduction and 53.6% for increased sales. The analysis of trend of response shows that stock management is very important in all the above areas.

Figure 2: Factors affecting stock levels
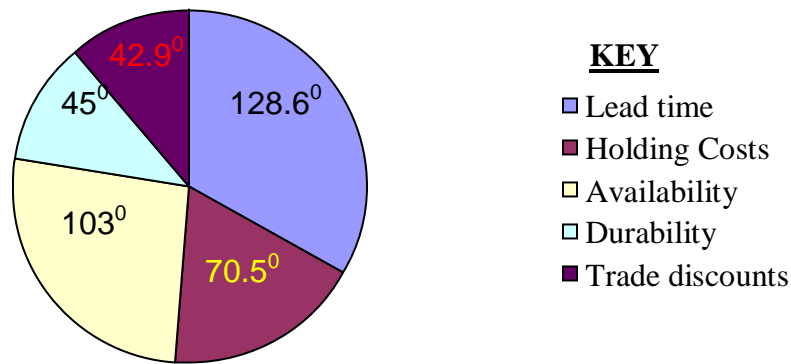
Source: primary data

The finding above show that lead time and stock holding costs combine by 64.3% to impact on sock levels as compared to availability and trade discounts. Two of the respondents included another factor, demand pattern.

Table 12: Whether the organization carries out stock management formally

Response	Frequency	Percentage
Yes	28	100
No	0	0
Total	**28**	**100**

Source: primary data

The findings according to the table show that the organization has formal stock management supported by 100% of respondents.

Figure 3: Response on stock management techniques and methods

KEY
- ☐ Manual
- ☐ Both
- ☐ Computerized
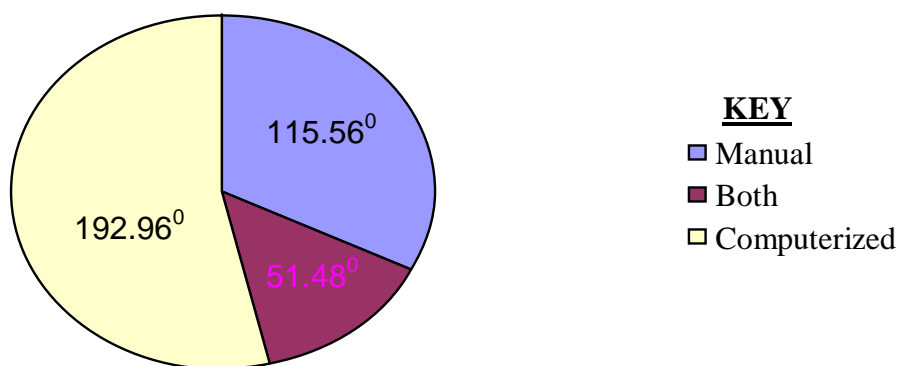
Source: primary data

From the analysis above, it can be drawn that computerized stock taking is applied most compared to manual. However, both compliment each other 14.3% of the response shows that both manual and computerized are applied in the organization.

Table 13: Presence of discrepancies

Response	Frequency	Percentage
Yes	19	67.9
No	9	32.1
Total	**28**	**100**

Source: primary data

From the table above, 67.9% of response indicates that the organization experiences stock discrepancies while 32.1% shows that it does not.

Table 14: Response on contribution of stock management to organization success

Response	Frequency	Percentage
Yes	28	100
No	-	-
Total	**28**	**100**

Source: primary data

From the finding above, 100% response show that stock management contributes gratefully to organizational success.

Table 15: Whether stock management is a success measure to the organization

Response	Frequency	Percentage
Yes	27	96.4
No	1	3.6
Total	**28**	**100**

Source: primary data

From the finding above, it can draw that stock management used to evaluate organization success supported by 96 .4% of respondents

The following response were obtained as contributors to organizational success other than stock management and respondents gave their views as shown. Proper resource allocation, proper marketing and distribution channels, supplier effectiveness in terms of quality, lead time and timeliness, streamlined and broad loyalty, team work and motivation, quality products, technology and proper buyer supplier relationship. These findings are in agreement with the findings of lysons (2000). Jessop (1986) and Baily (1997) who suggest that the success of an organization is dependant on many variables which are varying from industry to industry.

The researcher sought personal opinion on how organizational success is measured and response indicate market size, total cost reduction, daily sales rate of sales turn over, how corporate goals are achieved, reduced waste, customer satisfaction, total profits, quality production, co-operation rate of returns on investment and achieving mission and vision of the organization.

This shows that measuring organizational success is important. According to Host 1992, Kermally (1997) the success of an organization can also be implied in how the organization achieved its mission and satisfy its customers' needs in most competitive way. Their argument does not differ from the findings above.

CHAPTER FIVE: DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

In the previous chapter, the researcher reviewed theoretically and empirically the under lying issues about the relation between stock management and organizational success. The researcher will therefore discuss, summarize, conclude and give some policy recommendations and suggest areas of the further research within this chapter.

5.1 DISCUSSION OF FINDINGS

The chapter presents discussion of finds in chapter four in relation to literature review and objectives of the study.

The findings indicate that Rwenzori Bevarages holds stock. These findings are in line with Lysons (2000) who says that almost every organization holds stock whether raw materials, finished goods or in any other form.

The analysis of findings show that respondents attach a great degree of importance to raw materials and finished goods followed by work in progress and lastly maintenance Repair operations Supplies. These findings are in agreement with Bandenhorst and Rooyen (2002) who explain that raw materials and finished goods are part of manufacturing firms. They urge that while materials have been undergoing processing, work in progress assumes existence while maintenance is also crucial for proper and smooth operation of business.

The research indicate market size, total cost reduction, daily sales rate of sales turn over, how corporate goals are achieved, reduced waste, customer satisfaction, total profits, quality production, co-operation rate of returns on investment and achieving mission and vision of the organization.

This shows that measuring organizational success is important. According to Host 1992, Kermally (1997) the success of an organization can also be implied in how the organization

achieved its mission and satisfy its customers' needs in most competitive way. Their argument does not differ from the findings above.

5.1.1 ESTABLISHMENT OF INVENTORY MANAGEMENT SYSTEMS AND TECHNIQUES IN PLACE

The study under this objective focused on the relevant inventory management systems and techniques in Rwenzori Beverages (U) Ltd.

The study further reveals that Rwenzori Beverages (u) Ltd carries stock taking. These findings are exactly related to assessment of Baily (2002) that stock taking is partial of inventory management in most manufacturing and production firms. Stock taking is done continuously and periodically. This is in line with CIMA(1998)

The research findings further indicate that manual stock taking is applied most compared to computerized system. However, both complete each other. The response also shows that both manual and computerized are applied in the organization. These findings are in line with Drury (1996) who explains that increase in information technology has necessitated the use of computers in organizations.

It has been discovered that there are certain locations where stock is controlled and managed by competent staff. At this point, all data relating to stock is entered in the computer. This data range from quantity, manufacturer, expiry date, date of manufacturer, and so on. As soon as an issue is done, the computer automatically updates its data accordingly.

The analysis of finding show that the organization holds stock for a number of reasons with most preference on; meeting any future demand and ensure sufficient availability. However, other reasons are also considered but with less degree of importance. These are to take advantage of bulk buying and providing buffer between processes. This is in line with Birichall and Morris (1995) who explains that basing on the analysis of past stock wage and delivery times, a series of stock management levels can be calculated and used to stock at their optimum levels / a level which minimize costs. These levels will determine when to order and how much to order.

The study further reveals that determination of stock levels is dependant on a certain yardstick which varies from organization to organization. To find out how these points are determined, respondents were required to attach degree of importance on some factors raised by the researcher and the analysis was as discussed here in. a large number of response show that consumption pattern and durability of items is considered extremely important and stock holding cost come next. One of the respondents suggested supply pattern as one of the factors. This shows a great agreement with Durry (2002) and CIMA (1998) who identify a few criteria for establishing stock levels.

The findings also indicate that other factors contribute to organizational success. These are ; Proper resource allocation, proper marketing and distribution channels, supplier effectiveness in terms of quality, lead timeliness, streamlined human resource structure, production planning, proper utilization of resources, advertising and brand royalty, team work and motivation, quality products, technology and proper buyer supplier relationship. These findings are in agreement with the findings of Lysons (2000), Jessop (1986) and Baily (1997) who suggest that the success of an organization is dependant on many variables which are varying from industry to industry.

5.1.2 COSTS ASSOCIATED WITH HOLDING INVENTORY IN AN ORGANIZATION

The study under this objective intended to find out costs associated with holding inventory in Rwenzori Beverages (U) Ltd.

The research findings reveal that there are a number of costs associated with inventory holding in an organization. A large number of response shows that stock holding costs and purchasing costs are frequently experienced than quality costs, moreover, other writers like Lysons (2000) and Bhimani, Harsher, Foster and Datar (1999) critically explain that purchasing and stock holding costs are mostly experienced in organizations that hold inventory.

It was however seen that organizations need to reduce these costs to the absolute minimum or else they will continue to impinge on the profits of the organization.

5.1.3 MEASURES OF SUCCESS IN AN ORGANIZATION

The research reveals that many factors combine to bring the organization success a reality. These according to research findings these are; personal opinion on how organizational success is measured and the response indicate that market size, total cost reduction, daily sales turn over, how corporate goals are achieved, reduced waste, customer satisfaction, total profits, quality production, co-operation, rate of returns on investment and achieving mission and vision of the organization.

This shows that measuring organizational success is important. According to Host (1992), Kermally (1997) the success of the organization can also be implied in how the organization achieves its mission and satisfy its customers' need the most competitive way. Their argument does not differ from the findings above.

5.1.4 THE RELATIONSHIP BETWEEN STOCK MANAGEMENT AND ORGANIZATIONAL SUCCESS

From the findings, it can be drawn that stock management is used to evaluate organizational success. These findings agree with the findings of Host (1992) and Kermally (1997) who express the success of an organization is applied in many variables including customer satisfaction and total cost reduction. Basing on the contribution of stock management to the total performance of the organization, the findings answer research question three that there is a relationship between stock management and organizational success.

5.2 SUMMARY OF FINDINGS

The study tends to suggest that stock management is the back bone of organizational success. It is widely believed that most production and manufacturing originations hold stock of different types. Therefore the organizations need to take keen interest on management of its stock.

Another significant finding of the study is how stock management is done, the data reveals that there is formal stock management and several steps are applied to manage stock and these are as well s well indicated as stock taking and inventors level tracking.

The findings indicate that stock management is not the only factor contributing to organizational success. Other factors have been discovered in the study as proper marketing and distribution channels, suppliers' effectiveness in terms of quality and others.

A significant finding of the study s how success of the organization is measured. The findings show that market size, total cost reduction, daily sale, rate of sales turn over, reduced wash, customer satisfaction are used weigh organizational success.

Stock management has got a big impact on the success of an organization. Therefore organizations need to strictly put enough emphasis on the stores department.

There are a number of costs associated with inventory holding in an organization. These range from acquisition, holding and disposal. There are a number of challenges encountered in achieving organizational success which among others include poor management skills, stiff competition and financial constraints.

5.3 CONCLUSION

Findings from the study show that stock management is important almost to every organization. However, this practice needs to be aligned with the company objectives in order to achieve the intended benefits.

Some employees seem to have inadequate information about stock management. There is a trend of advancement in technology which is significant in originations. This is exemplified by the appreciation of computerized and manual stock taking techniques on inventory management.

5.4 RECOMMENDATION

Stock identification

Organizations hold a wide range of items and identify these items as they are needed is a complicated task. Therefore, stock identification and standardization should be introduced in order to simplify stores operation. However, introducing codes and product standardization are very complicated tasks and therefore the organizations need a thorough understanding of these complete operations.

Costs

Management need to be aware that there are a number of costs directly or indirectly attribute to stock. These costs range from acquisition, storage and disposed costs, these costs need to be eliminated to absolute minimum.

Inventory management skills and techniques

Stores operations are very complicated tasks and therefore require adequate skilled personnel. Management therefore needs to take keen interest on store personnel in terms of qualifications, capacity and interest.

Monitoring and evaluation

Firstly management need to understand that stock is always at risk whether with in or outside the ware house or store. The risks may include fire, theft, pilferage, damage and destruction.

Precautionary measures therefore need to be put in place to guard against there occurrences for example installing fire fighting equipments in stock, training employees on the use of the equipments, installing CCTV cameras to monitor movements, proper lay out and design of stores and electronic operations like electronic point of sale.

Management needs to note that are recent trends and Philosophies about stock management. For example just-in time, materials requirement planning and many more. These advocate for little or no inventory in organizations. Many organizations that have used them have been successful.

5.5 AREAS FOR FURTHER RESEARCH

Accordingly, the following area should be subjected to further research.

1. Buyer supplier relationship and operational effect.
2. Procurement and material requisition and organizational efficiency.
3. The relationship between stores departments and other departments

The result of the findings shall be useful in directing resources which may improve the general position of the organization in the industry.

APPENDIXES

APPENDIX I: REFERENCES

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www.rwenzori.net

APPENDIX II: QUESTIONNAIRE FOR THE STAFF OF RWENZORI BEVERAGES (U) LTD

Dear respondents,

I am a student of **Makerere University**, pursuing a **Bachelor of Commerce Degree (External)**, carrying out a research on the Impact of Stock Management on organizational success. It is a requirement for the award of a degree. This questionnaire is to help the researcher on academic purposes to find out your response on the set parameters. Kindly fill in accurate information as required. All information given shall be treated as confidential.

PART A: GENERAL INFORMATION (*Tick where applicable*)

(1) What is your department?

Purchasing ☐   Production ☐

Stores ☐

Others specify ……………………………………………………………………

(2) Sex? Male ☐   Female ☐

(3) Educational level

Diploma ☐   Degree ☐   Masters ☐   PhD ☐

Others specify ……………………………………………………………………

(4) How long have you been employed in this organization?

Less than 2 years ☐   3 – 10 years ☐

10 – 15 years ☐   over 15 years ☐

PART B

(5) Does your organization hold stock?

Yes ☐   No ☐

(6) Does your organization carry out stock taking?

Yes ☐   No ☐

If yes, how often

Everyday ☐   Once in a month ☐   Once a year ☐   Not quite often

(7) What type of stock is held in your organization?

	Extremely important	Very important	Important	Less important	Not important
Work in progress					
MRO supplies					
Finished goods					
Raw materials					

Others specify ……………………………………………………………………………

(8) Why does your organization hold stock?

	Extremely important	Very important	Important	Less important	Not important
To meet any future demand					
Ensure sufficient availability					
To take any advantage of bulk buying					
To provide buffer between processes					

(9) Does your organization have a minimum stock level, reorder level, maximum stock level and

buffer stock?

Yes [ ]   No [ ]

If yes, how are these points determined

	Extremely important	Very important	Important	Less important	Not important
Consumption pattern					
Durability					
Stock holding costs					

Others specify …………………………………………………………………………

(10) What factors affect stock levels in your organization?

Lead time [ ]　　　　Stock holding costs [ ]　　　Availability [ ]

Durability [ ]　　　　Trade discount [ ]

Others specify …………………………………………………………………

(11) Which of the following costs does your organization incur in managing stock? (Tick appropriately)

	Extremely important	Very important	Important	Less important	Not important
Stock holding costs					
Purchasing costs					
Quality costs					

(12) Do you carry out stock management formally? [ ]　　　No [ ]

If yes, do you use stock management as one of your success measures?

Yes [ ]　　　　　　No [ ]

(13) What inventory management system do you use in managing inventory on your organization??

Manual [ ]　　　　Computerized [ ]　　　　Both [ ]

(14) Outline the costs incurred in holding inventory in your organization.

(15) Do you meet stock discrepancies?

[ ]　　　　　　　　[ ]　　　　39

Yes   No

If yes, how do you deal with them? ……………………………………………………

(16) Does stock management contribute to organizational success?

Yes [＿＿]   No [＿＿]

If yes, in which area? *(Tick appropriately)*

	Extremely important	Very important	Important	Less important	Not important
Increased sales					
Customer satisfaction					
Total cost reduction					

Others specify ……………………………………………………………………

(17) Apart from stock management, what else do you think contributes to your organizational success?

…………………………………………………………………………………………

………………………………………………………………………………

(17) In your opinion, how can organizational success be measured?

…………………………………………………………………………………………

………………………………………………………………………………

Thank you