

ASSESSING THE EFFECTIVENESS OF THE INVENTORY MANAGEMENT SYSTEM IN A SERVICE ORGANIZATION: A CASE STUDY OF BARAN AFGHANISTAN

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Abstract

The project work entitled Inventory Management includes detail study about inventory, its importance and effectively it should be managed for smooth operations of organization. Inventories are assets of the firm and require and hence involve the commitment of firm's resources, every organization is required to manage the inventories in such a way as to get the best returns. The objective of inventory management is to determine the optimum level of the inventory that is the level at which the interest of all the departments is taken care of. The inventory management seeks to maximize the wealth of the shareholders by minimizing the cost of procuring and maintaining. The objective behind the inventory management is maintaining sufficient stock of goods, materials ensuring continuous supply to available stocks process for uninterrupted to schedule and minimizing the total annual cost of maintaining inventories, Inventories are assets of the firm and hence involve the commitment of organizations resources; managers must ensure that the organization maintains inventories at the correct level, Inventory management is a challenging problem area in supply chain management, Organizations need to have inventories in warehouses in order to fulfil policy of inventory management, meanwhile these inventories have holding costs, safeguards of items. Therefore, the task of inventory management is to find the quantity of inventory that will fulfil the request, avoiding overstocks. This paper presents a case study for the health aiding services organization on inventory management. The relationship between the inventory management and organization performance was determined based on inventory days and return on asset (ROA) analysis. The research found that company had a few inventory problems such as unorganized inventory arrangement, large amount of inventory days / no cycle counting and no accurate records balance due to unskilled workers. The study also proved that there was a significant relationship between return on asset (ROA) and inventory. This paper also provides recommendation to the organization and for further research.

Keywords: Inventory management, logistics, procurement & inventory section

INTRODUCTION

Organizations are controlling, managing inventory as a step minimizing operational costs and physical items. In order for an organization to continue and be effective controlling the inventory of organization, the organization must be cognizant of its supply chain management for better performance and continuous survival. Inventory management aims at efficient keeping record of the items, storage. Inventory management practices play a major role in the operation of many organizations.

While a great deal of attention has been focused on health sectors; comparatively little practical research has been done to ascertain the efficiency of a single organization in managing inventory. In there are receiving & distribution systems, both at the organization receive and release dealing levels. This study therefore investigates the effectiveness of inventory

management system of BARAN organization (located in the Afghanistan).

The inventory control system which includes tags numbers processing to control inventory in the organization Head Quarter and Sub-offices. There is a proper layout plan for inventory storage facility in maximizing the effectiveness of inventory items.

The objective of inventory management is to ensure adequate level of stock which maintains an acceptable level of available demand while minimizing the related holding, administrative and stock out cost. Several activities are undertaken within the scope of inventory management, these include purchasing, sorting, inspection, systematization, store keeping and stock taking which include stock control.

Generally, inventory made from three elements were recorded GRN, goods received notes, Storage in LIFO, FIFO System, into stack cards and distribution made by release request follow and had proper inventory management system.

Most Organizations have not yet adopted inventory control management tools and systems in purchasing and supply hence they are facing the challenge of stock out cost.

Material management is the process to deliver right material at right place at right time in right quantity so as to minimize the cost of project". Materials Management is related to planning, procuring, storing and providing the Appropriate material of right quality, right quantity at right place in right time so as to co-ordinate and schedule the production activity in an integrative way for an industrial undertaking. Effective management of materials can reduce these costs and contribute significantly to the success of the project Inventory technique Minimize of cost of entire project by controlling the inventory. Inventory Control is the process by which inventory is measured and regulated according to predetermined norms such as economic lot size for order or manufacture, safety stock, minimum level, maximum level, order level etc. Inventory control pertains primarily to the administration of recognized policies, systems & procedures in order to reduce the inventory cost Inventory control technique Maintain sufficient stock of raw material in period of short supply and anticipate price changes. Additionally, all items recorded in to inventory spreadsheet database, by sequence and tagged all items and materials by organization inventory management roles and regulation.

OBJECTIVES OF THE STUDY

The general objective of the study was to assess the impact of inventory management on organizational competitiveness, with particular focus on BARAN organization.

- To assess the effects of inventory shrinkage on competitiveness of BARAN organization.
- To determine the impact of inventory investment on competitiveness of BARAN organization.
- To explore the effect of inventory turnover on competitiveness of BARAN organization.

Need for the study

Materials are equivalent to cash and they make up an important part of the total cost. It is essential that materials should be properly safeguarded and correctly accounted, proper control of material can make a substantial contribution to the efficiency of an organization business. The success of a business concern largely depends upon efficient purchasing, storage, consumption and accounting.

Bulk Inventory is the backbone of organization and inventory plays a vital role in bulk drugs warehouse hence the study of inventory management in bulk Inventory of BARAN has been selected for the project.

METHODOLOGY

Non-probability sampling specifically, purposive sampling technique was used for the study. Given the technicalities and relevance of the information required for inventory management system.

- R1. The data has been collected through interface and discussions with the inventory section of operation department working with the division.
- R2. Some important information taken through unstructured and structured interviews of the operation/inventory.
- R3. Magazines and annual reports also used for the collection of necessary information.
- R4. Research Papers used for the source of secondary data.
- R5. Sample Size and Sampling Technique follow by organization.
- R6. Assessment of last period collected data from society requirements.

Motivation

There are many reasons that motivate organization and executive director to have stocks and by proper managing strategic and identified four reasons for holding stock, namely: Economies of scale, Balancing supply and demand, Specialization an inventory, Dead stocks and organization personal follow up chain of command in an inventory management system.

Suggestions & recommendations to improve inventory management

- It is highly recommended that BARAN organization continues with the tight inventory policy in
- trying to reduce high inventory levels since it was effective.
- It is recommended that procedures be put in place for tasks performed on a regular basis in the warehouse. The responsibility lies with materials management and should not be neglected.

- The development and maintenance of an effective information system is of the utmost importance to follow up maintenance of assets and Equipments for reduce financial costings.
- It is finally recommended that warehouse and inventory employees should be educated on the costs of improper inventory management to understand that the lower the profit margin, the more sales must be generated to make up for the lost goods.

Findings / Gaps

- Annual consumption is not constant every year.
- Lost or damage items don't had specific recorded which must be approved by procurement or assigned committee from top management.
- In this type of process, it requires a greater number of employees and supplier should also wait for until the accounts are matched.
- Total cost is calculated and compared with the actual cost incurred and an analysis made comparing these costs.
- Basically, inventory management means prediction of future turn over.
- The GRNs and invoices are don't filed in inventory section for inventory management system.

CONCLUSION

Effective and effective inventory management practices will always provide a competitive advantage to organization, following recommendation put forth for improving the effectiveness of inventory management system of BARAN at the Afghanistan. The recommendations if strictly adhere to will help make the inventory management system of BARAN more effective. Thus, the study concludes that administrative procurement procedures had a positive impact on the efficiency of inventory management among BARAN organization. It's necessary to recruit, train and develop personnel with the capacity and motivation to do better job, thus the study concluded that the skills possessed by staff had a positive effect on the efficiency of inventory management among.

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