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Impacts of Inventory Management Practices on Organization Performance

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***Abstract**: This study focuses on the effects of inventory management system on organization performance of selected stores and supermarket in Osogbo, Osun State. The objectives of this study are to: determine the effect of inventory management practices on organizational growth of selected stores and supermarkets; examine the effect of inventory management practices on organizational profitability of selected stores and supermarkets; and identify the effect of inventory management practices on sales turnover of stores and supermarkets. This study adopted cross sectional descriptive research design. The area of the study is Osogbo in Osun State. The instrument used for this is primary data. The primary data was obtained through properly structured questionnaire. The study found that the efficient inventory management practices positively affect organizational growth, profitability and sales turnover of firms. The study recommended that management of various organization should ensure a constant review of various inventory management practices in the stores to enable them maintain profitability and consistently. Also, the management of various organizations, especially the stores and supermarkets should see the need to install inventory systems that will enable business success, which will thereby bring about organizational growth. This study concludes that stores and supermarkets with proper inventory management system are likely to grow and satisfy customers and shareholders*

Keywords: Inventory Management Practices, Stores, Supermarket, Organizational growth, Profitability, Sales turn over

1. INTRODUCTION

In the past, inventory control was not seen to be necessary. In fact excess inventories were considered as indication of wealth. Management by then considered over stocking as important and beneficial to firms. But today firms have started to embrace effective inventory control (Susan & Michael, 2000). Inventories are the stocks of raw materials, work in progress, finished goods and supplies held by a business organization to facilitate operations in the production process (Lwiki, Ojer,Mugend,& Wachira, 2013). Inventories can either be assets as well as items held in the ordinary course of business or they can be goods that will be consumed or used in the production of goods to be sold.

Inventory is considered to have originated from the military's need to supply themselves with arms, ammunition, and rations as they moved from their base to a forward position. Inventory as a business concept evolved only in the 1950's mainly due to the increasing complexity of supplying one's business with materials and slipping out products in an increasing globalized supply chain and inventory management systems (Cecil & Robert, 2006).

Inventory management is increasingly regarded as a tool for optimal use of resources in achieving overall organizational efficiency across industries (Akindipe, 2014). Ali et al., (2012) further revealed that inventory management system enable organization to detect special orders, sell on occasion and available products in a limited quantity to keep inventory costs down and to develop a positive reputation for quickly filling special orders. Ali et al (2012) state that a good inventory system implies that organizations have an accurate information on inventory count at all times, giving good customer service, giving accurate information to customer and improving image of the organizations. Meanwhile, Roy (2012) points out that an effective inventory management will always give a competitive advantage to the business over its competitors.

Historically, inventory management systems have often been associated with either too much inventory and too little management or too little inventory and too much management. There can be severe penalties for excesses in either direction. In traditional settings, inventories of raw material spare parts work in progress, components and finished goods were kept as a buffer of a possibility of running out of needed items. However, large buffer inventories consumed valuable resources and generated inventory costs. Consequently, many companies have changed their approach to production and inventory management systems. Since early 1980s, inventory management systems which leads to inventory reduction has become the primary target, as is often the case in just-in-time (JIT) systems where raw materials and parts are purchased or produced just-in-time to be used at each although evidence of improved firm performance is mixed (Nabwanga & Ojera, 2012).

Globally, inventory management remain an important aspect of every company as poor inventory system could result in loss of customers and sales while an effective inventory management is able to generate more sales for the company which directly affects the performance of the company (Mohamad, Suraidi, Abd. Rahman & Suhaimi, 2016). Therefore, it should be adequately taken care of because it has to do with profit of the business. A well planned and effective stock management can contribute substantially to a firm annual turnover. The present study intends to assess the impact of inventory management practices on organization performance. This is because inventory of a business can go a long way in determining the success or the failure of the business. Ineffective inventory management therefore can lead to stock out which will definitely lead to loss of customer and goodwill, which will make the profit of the business decrease and result in ultimate collapse of the organization

1.1 Statement of the Problem

Inventories occupy the most strategic position in the structure of working capital of most firms and enterprises (Ndunge, 2013). Good inventory management in any manufacturing organization saves the organization from poor quality production, disappointment of seasoned customers, loss of profit and good social responsibility. One of the key factors for the success of a firm is effective flow management in supply chains. The biggest challenge in managing inventory is to balance the supply of inventory with demand. A firm would ideally want to have enough inventories to satisfy the demands of its customers and avoid lost sales due to inventory stock-outs. Also, the firm does not want to have too much inventory staying on hand because of the cost of carrying inventory. Enough but not too much is the ultimate objective (Coyle & Bardi, 2003).

A good inventory control system is attained in balancing the two objectives to a firms' optimum advantage. Eshun (2014) point out that despite the benefits of inventory management, organizations have continuously ignored the potential savings from proper inventory management and end up having more funds invested in inventory than necessary. They are therefore not able to meet customer demands because of poor distribution of investment among inventory items hence the basis of this study. In majority of manufacturing industries, inventory constitutes the most significant part of current assets (Songet, 2006). Manufacturing firms attain significant savings from effective inventory management which amounts between 50% - 60% of total costs. A potential 6% saving on total cost through effective inventory management is achievable. In this view, the study wishes to assess the effect of inventory management practices on organization performance of selected stores and supermarkets in Osogbo, Osun State.

1.2 Research Objectives

The broad objective of the study is to assess the effect of inventory management system on organizational performance of selected stores and supermarket in Osogbo, Osun State. The specific objectives were to:

i. Determine the effect of inventory management practices on organizational growth of selected stores and supermarket in Osogbo, Osun State..
ii. Examine the effect of inventory management practices on organizational profitability of selected stores and supermarket in Osogbo, Osun State.
iii. Identify the effect of inventory management practices on sales turnover of departmental stores and supermarket in Osogbo, Osun State.

1.3 Research Questions

The study sought answers to the following questions:

i. What is the effect of inventory management practices on organizational growth of selected stores and supermarket in Osogbo, Osun State?
ii. What is the effect of inventory management practices on organizational profitability of selected stores and supermarket in Osogbo, Osun State?

iii. What is the effect of inventory management practices on sales turnover of of selected stores and supermarket in Osogbo, Osun State.?

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Inventory Management Practices

Organization's inventory is an important component and its management is vital to the success and expenditure reduction of a firm. Consequently, other operational costs may increase inventory management costs like through the balance of ordering costs, holding costs, safety stock and stock outs (Palevich, 2012) and (Leong,Wisner & Tan, 2011). Once an organization realizes this, it can develop online inventory management tool that monitors its inventory information by breaking it down into groups by correlating the categories with its customers.

Wild (2004) recommends, proper warehousing of inventory so that when goods are ordered, they are held at the warehouse for the least time possible minimizing holding cost of inventory. Bacchetti, Plebani, Saccani and Syntetos (2010) argue that inventory management needs to be organized in a logical way to facilitate the organization knowledge of when to order and quantity to order. Economic order quantity enables organizations plan their inventory replenishment on a timely basis such as monthly, quarterly, half yearly or yearly basis.

2.1.2 Organization performance

Organizational performance refers to how well an organization meets its financial goals and market criteria (Li, Rao, Ragu-Nathan & Ragu-Nathan, 2005). Organizational performance is how well an organization achieves its market oriented goals as well as the financial goals. Maduenyi, Oke, Fadeyi and Ajagbe (2015) define organizational performance as a set of financial and nonfinancial indicators which offer information on the degree of achievement of objectives and results). Organizational performance concerns both effectiveness and efficiency; the quality and quantity of work (Olumuyiwa, Adelaja & Chukwuemeka, 2012). The relevant items adapted to measure organizational performance includes higher sales, higher accuracy in costing, and improved coordination between departments, improved coordination with suppliers, and improved coordination with customers. Any organizational initiative, including supply chain management should ultimately lead to enhanced organizational performance (Maduenyi et al., 2015).

Organization performance is measured in different ways depending on the purpose of measurement. Kaplan and Norton (2004) classify organization performance into financial and non-financial using the Balanced Scorecard. Demirbag, Koh, Tatoglu and Zaim (2006) also note that organizational performance can be measured from both financial and nonfinancial criteria. The measures of financial goals include profit, return on investment, sales growth, business performance, and organization effectiveness. On the other hand, the measures of non-financial criteria are innovation performance and market share (Demirbag et al., 2006), quality improvement, innovativeness and resource planning. Most organizations view their performance in terms of "effectiveness" in achieving their mission, purpose or goals (Koh, Nam, Prybutok & Lee, 2007). Performance is a summary measure of the quantity and quality of work done, with resource utilization taken into account. It can be measured at the individual, group, or organizations level. Performance may be expressed as success into dimensions of organizations productivity, effectiveness and efficiency (Olumuyiwa et al., 2012). To define the concept of performance is necessary to know its elements characteristic to each area of responsibility. Organizational performance could also refer to any job related activities expected of a worker and how well those activities are executed.

2.2 Theoretical Review

2.2.1 Inventory Control Theory

Zappone (2014) stated that managing all kinds of assets in an organization can be viewed as an inventory problem. For the large companies they use a variety of inventory control theories and mathematical formulas to help them optimize the production and storage of many thousands of units of products and to help them minimize costs. At the same time the small-business owners can use ideas from several inventory control methods to manage their production and storage based on their cost-containment and customer service needs.

Any inventory manager's goal within an organization is to minimize cost and maximize profit while satisfying customer's demands. Too much inventory consumes physical space, creates a financial burden, and increases the possibility of damage, spoilage and loss (Zappone, 2014) further explains that excessive inventory frequently compensates for sloppy and inefficient management, poor forecasting, haphazard scheduling, and inadequate attention to process and procedures. Too little inventory often disrupts manufacturing operations, and increases the likelihood of poor customer service. In many cases good customers may become dissatisfied and take their business elsewhere if the desired product is not immediately available. Companies with very high inventory ratios have more possibilities to be bad financial performers. Shah and Shin (2007), reported a strong negative relationship between the cash conversion cycle and corporate profitability for a large sample of public American firms.

Firms with abnormally high inventories have abnormally poor stock returns, firms with abnormally low inventories have ordinary stock returns while firms with slightly lower than average inventories perform best over time. Shah and Shin (2007) also stated that reducing inventories has a significant and direct relationship with a firm's financial and operational performance.

2.2.2 Lean Theory

Lean theory is an extension of ideas of Just-in-Time. The theory eliminates buffer stock and minimizes waste in production process (Green & Inman, 2005). Inventory leanness positively affects the profitability of a business firm and is the best inventory control tool. Firms that are leaner than industry average generally see positive returns to leanness (Eroglu & Hofer, 2011). The theory elaborates on how manufacturers gain flexibility in their ordering decisions, reduce the stocks of inventory held on site and eliminate inventory carrying costs. Scholarly studies indicate that companies successfully optimize inventory through lean supply chains practices to achieve high levels of asset utilization and customer satisfaction leading to improved growth, profitability and market share. Criticism leveled against the theory is that it can only be applicable when there is a close and long-term collaboration and sharing of information between a firm and its trading partners.

According to Trujillo-Barrera (2014) leanness involves five principles: value whereby before business practices are changed it is first determined whether applying lean inventory techniques will actually generate business value. The second principle involves flow where to determine both your business value and the economic value you offer customers; you must understand how inventory flows in your warehouse. The third principle involves pull and it states that once you are fully aware of how your inventory flows and you've worked to eliminate inventory waste, pulling inventory only when requested by your customer, will become a natural outcome. The fourth principle is responsiveness and it involves a continuous and rigorous evaluation of your inventory flow along with effective demand management allows you to respond and adapt quickly to changes in the market. It will also keep the inventory at appropriate levels, preventing unnecessary storage costs and obsolete inventory. The last principle is perfection. It requires you to commit to a continuous refinement of your inventory management processes; doing so will result in improved quality, cycle time, efficiency and cost

2.2.3 Theory of Constraints

This is a management philosophy that seeks to increase manufacturing through identifying the limiting factors constraining the process and systematically improving that constraint until it is no longer the limiting factor. Some of the limiting factors that may exist in the manufacturing process include: very long lead times, large number of unfulfilled orders, high level of unnecessary inventories or lack of relevant inventories, wrong materials order, large number of emergency orders and expedition levels, lack of customers engagement, absence of control related to priority orders which implies on schedule conflicts of the resources (Boyd & Gupta, 2004). The theory emphasizes focus on effectively managing the capacity and capability of these constraints to improve productivity and this can be achieved by manufacturing firms applying appropriate inventory control practices. Theory of constraints is a methodology whose basis is applied to production for the minimization of the inventory (Cooper & Ellram, 1993).

2.3 Empirical Review

Augustine, Trenkel, Wood and Lorance (2013) reports on investigation of the impact of proper inventory management on organizational performances. The study suggests a link between inventory management and productivity and concludes that highly positive correction between good inventory management and organizational cost reduction. However, he noted that management should closely monitor and manipulate inventory system to maintain production consistency for organizational productivity.

Eckert (2007) examined inventory management and role it plays in improving customer satisfaction. He found a positive relationship between customer satisfaction and supplier partnerships.

Koumanakos (2008) studied the effect of inventory management on firm performance. The findings suggested that the higher the level of inventories preserved by a firm, the lower the rate of return. Despite all these studies that have been done, little attempt has been made to find out about the impact of inventory management practices on a firm's financial performance.

Panigrahi (2013) in a study conducted on the relationship between inventory management and profitability, five top Indian cement companies within the period 2001-2010 were assessed. The study utilized the dependent variable 'gross operating profit' as a measure of profitability and current ratio, size of the firm, financial debt ratio as control variables using regression analysis. The findings indicated that inventory conversion period has an inverse relationship with firms' profitability. It was revealed that, the firms' profitability as measured by gross operating profit has a negative relationship with financial debt ratio

Thogori & Gathenya (2014) carried out an investigation on the role of inventory management on customer satisfaction among the manufacturing firms in Kenya. The research was carried out at Delmonte Kenya since the company has a well laid down supply chain inventory information sharing system that is linked to the customers in real time to enhance inventory management. A census was carried out on all the 50 employees at Delomonte Kenya who were involved in the supply chain management activities. Questionnaire, interview guide and observation guide were used to collect the data. Response rate of 90% was obtained. The result revealed that all the respondents (100%) indicated that the company experienced shortages in inventory. They therefore concluded that manufacturing firms had poor inventory management systems and that had greatly impacted on their ability to satisfy their customer needs thus resulting to a lower sales turnover.

Anichebe (2013) conducted a study on the impact of proper inventory management on organisational performance in Emenite, Hardis & Dromedas and the Nigeria Bottling Company all in Enugu, Enugu State. Descriptive research methods, in the form of survey and case study, were employed. The population of the study was six hundred and fifty eight (658). A sample size of two hundred and forty eight (248), was derived using the Taro Yamane formula. The findings indicate that: there is significant relationship between efficient inventory management and organizational effectiveness, inventory management had a significant effect on organizational productivity, and there was a high positive correlation between efficient inventory management and organizational profitability. The study concluded that inventory management is very vital to the success and growth of organizations.

Elsayed and Wahba (2016) in their study on 'reexamining the relationship between inventory management and firm performance: An organisational life cycle perspective'. The sample of the study was drawn from the lists of the most active firms trading on the Egyptian Stock Exchange published by the Egyptian stock market authority. The lists included firms that constitute around 45 percent of the total market capitalization. Published lists from 2005 to 2010 were examined excluding firms from financial industries. The required data existed for 84 firms covering eighteen industrial sectors with total number of observations of 504.The results show that while inventory to sales ratio affects organisational performance negatively in the initial growth stage and the maturity stage, it exerts a positively on organisations' performance in either the rapid growth stage or the revival stage.

Globally, Bai and Zhong (2008) studied on improving inventory management in small business in Sweden Koumanakos (2008) studied the effect of inventory management on firm performance in manufacturing firms in Greece. Regionally, Asare and Prempeh (2016) studied the impact of efficient inventory management on profitability in selected manufacturing firms in Ghana. Augustine and Agu (2013) examined the effect of Inventory Management on organizational effectiveness in Nigeria.

Locally, Ndunge (2013) examined inventory management and productivity of large manufacturing firms. Mwangi (2013) examined inventory management and supply chain performance of non-governmental organizations in the agricultural sector. This study therefore sought to answer the following research question: what is the relationship between inventory management practices and financial performance of manufacturing firms in Kenya?

Kairu (2015) conducted study to assess the role of strategic inventory management on performance of manufacturing firms in Kenya. He focused on 155 employees in the supply chain department at Diversely Eastern and Central Africa (DECAL). The population sample was 51 respondents and stratified sampling technique was adopted. Structured questionnaire containing both open ended and closed ended questions was used to collect primary data. 48 copies of the questionnaire were filled and returned for analysis. Data collected were analyzed using both qualitative and quantitative data analysis approaches in the aid of Statistical Package for Social Science (SPSS) version 20. Analysis of variance (ANOVA), correlation and regression analysis were also used. The results revealed that manufacturing firms face myriad of problems including poor inventory control, poor strategies in order fulfillment, reduced consumer effective demand due to poor forecasting and lack of proper ICT application systems leading to poor performance. This invariably results to reduced sales turnover

3. METHODOLOGY

This study used cross sectional descriptive research design. This method was adopted because of the relatively large population of the study from which the information was collected. The population of the study comprises of accountants, management and stock controllers of stores and supermarkets in Osogbo, Osun State. The study area is Osogbo in Osun state. The choice of Osogbo can be links to proximity of the area to the researchers. Structured questionnaire was used as the primary instrument for obtaining data used for the study. These questions cover socioeconomic and demographic variables such as age, gender, working experience and marital status and income per year. The questionnaire also covers work safety stock and organizational efficiency in selected stores and supermarkets in Osogbo, Osun State. The simple random sampling technique was used to select respondents from the twenty (20) stores and supermarkets in Osogbo, Osun State. They include: Ace Supermarket, Blessed Child Stores, Bolbabs store International, Bollyet Classic Boutique, Cheekers Supermarket, Elim Supermarket, Etaphil-king Supermarket, Hal-Shak Stores, Home Kitchen Food Store and Supermarket, Lennit Rehoboth Supermarket, Akinola juice and wine store, B.System supermarket, Boorepo supermarket, Raheem Afolabi Supermarket, DOF Supermarket, Mama Bolu Store, Zadet Pharmacy, Wemdel Mark and Tee Success store. From these twenty stores and supermarkets, 100 staffs‟ were sampled, of which five were selected from each store and supermarket. The instrument (questionnaire) used for data collection was subjected to the validation test by experts in accounting and other related fields and to determine the reliability of the instrument, the external consistency method was used, the test was conducted using 5% of the sample size which is 5. Five copies of questionnaires were used for this test and administered to 5 people, with an introductory letter stating and highlighting the basis of the study. Results were collated and a re-test was conducted after two weeks on the sample size. For the first test, the five copies of the questionnaire were all retrieved. The result of the retest conducted correlated with the earlier test conducted, confirming the reliability of the tests. The questionnaires were administered to 100 respondents that are workers in selected stores and supermarkets in Osogbo, Osun State, 100 were adequately filled, returned while 80 questionnaires were accepted and used for the analysis. The questionnaire was analyzed using simple frequency and percentages.

4.0 RESULT AND DISCUSSION

4.1 Distribution of Questionnaire

Table1: Questionnaire Distributed, Returned, Rejected and Accepted among selected twenty stores and supermarkets in Osogbo, Osun State

S/N	Stores and Supermarkets	Questionnaire Distributed	Questionnaire Returned	Questionnaire Rejected	Questionnaire Accepted
1	Ace Supermarket	5	5	1	4
2	Blessed Child Stores	5	5	1	4
3	Bolbabs store International	5	5	-	5
4	Bollyet Classic Boutique	5	5	-	5
5	Cheekers Supermarket	5	5	1	4
6	Elim Supermarket	5	5	1	4
7	Etaphil-king Supermarket	5	5	1	4
8	Hal-Shak Stores	5	5	-	5
9	Home Kitchen Food Store and Supermarket	5	5	-	5
10	Lennit Rehoboth Supermarket	5	5	2	3
11	Lennit Rehoboth Supermarket	5	5	2	3
12	Akinola juice and wine store	5	5	1	4
13	B.System supermarket	5	5	1	4
14	Boorepo supermarket	5	5	2	35
15	Raheem Afolabi Supermarket	5	5	-	
16	DOF Supermarket	5	5	1	4
17	Mama Bolu Store	5	5	2	3
18	Zadet Pharmacy	5	5	-	5
19	Wemdel Mark	5	5	2	3
20	Tee Success store	5	5	2	3
	TOTAL	100	100	20	80

	PERCENTAGE	100	100	20	80

Source: Field Survey 2020

The table 1 above shows the distribution of questionnaire among the twenty selected stores and supermarkets in Osogbo, Osun State. One hundred questionnaires were distributed with five in each of the store and supermarket. All one hundred distributed questionnaires were returned (Table 1). However, 20(20%) of the questionnaires were rejected as a result of incomplete filling while some were returned empty blank. The total number of 80 (80%) of questionnaire were finally accepted for interpretation.

4.2 Socio-economic Characteristics of the Respondents

The following socio-economic characteristics were identified and described: Gender, Level of Education, Working Experience, Position in Job and Age of Working Place.

Table 2: Socio-economic Characteristics of the Respondents

S/N	CLASSIFICATION	ITEMS	FREQUENCY	PERCENTAGE%	TOTAL%
1	Gender	Male	30	37.5	100
		Female	50	62.5	
2	Level of Education	O level	35	43.75	100
		ND	30	37.5	
		HND	15	18.75	
3	Working Experience	0-5 years	58	72.5	100
		6- 10 years	12	15	
		11-above years	10	12.5	
4	Position in Job	Accountant	22	27.5	100
		Manager	18	22.5	
		Store keepers	40	50	
5	Age of Working Place	Less than 10 years	55	68.75	100
		More than 10 years	25	31.25	

Source: Questionnaire Administered, Field Survey 2020

As regards to the frequencies and percentages of the respondents, from the table (2) above, 30(37.5%) are males while 50(62.5%) are females. 35(43.75%) have O level, 30(37.5%) have ND, 15(18.75%) are HND among the respondents. 58(72.5%) have a working experience of one to five years, 12(15%) have six to ten years working experience, 10(12.5%) have eleven to above years working experience. As regards the position held by the respondents, 22(27.5%) are accountant, 18(22.5%) are Manager while 40 (50%) are store keepers among the respondents. 55(68.75) are respondents with less than 10 years period in their working place while 25 (31.25%) are those with more than 10 years in their working place.

4.3 Inventory Management Practices on Organizational growth

Table 2: Effect of Inventory Management Practices on Organizational growth

S/N	Statement	SA	A	SD	D	UD
1	Effective inventory system enhances the chances of creating new outlet.	36 (45%)	32 (40%)	6 (7.5%)	3 (3.8%)	3 (3.8%)
2	Use of Barcode helps in proper monitoring of branch inventory operations.	40 (50%)	33 (41.2)	3 (3.8%)	2 (2.5%)	2 (2.5%)
3	Availability of customers favorite product leads to increase in market share	44 (55%)	26 (32.5%)	2 (2.5%)	3 (3.7%)	5 (6.3%)
4	Use of barcode helps in maintaining the right quantity of inventory for optimal productivity	42 (52.5%)	30 (37.5)	2 (2.5%)	2 (2.5%)	4 (5%)

Source: Field Survey 2020

Note: SA= Strongly Agree, A= Agree, U=Undecided, SD=Strongly Disagreed, D=Disagreed

Table 2 shows the view of respondents towards ascertaining the effect of inventory management system on organizational development. The result shows that 100(47.6%) of the participants strongly agree that effective inventory system enhances the chances of creating new outlet. 36(45%) agreed while 6(7.5%) and 3(3.8%) are strongly disagreed and disagreed but 3(3.8%) of respondents are undecided. The inference that effective inventory system enhances the chances of creating new outlet is therefore accepted. Also 40 (50%) and 33 (41.2%) of respondents strongly agreed that the use of barcode helps in proper monitoring of branch inventory operations while 3(3.8%) as well as 2(2.5%) of respondents are strongly disagreed and disagreed but 2(2.5%) of participants are undecided. Therefore, with number and percentage of respondents that are strongly agreed and agreed, use of barcode helps in proper monitoring of branch inventory operations is accepted.

Similarly, 44(55%) of the respondents and 26(32.5%) strongly agreed and agreed respectively that the availability of customers' favorite product leads to increase in market share while 3 (2.5%) and 3(3.7%) of respondents are strongly agreed and agreed. 5(6.3%) were undecided on view that increase in market share was as a result the availability of customers favorite. With the percentage and number of respondents on strongly agreed and agreed the assertion that the availability of customers favorite product leads to increase in market share is accepted.

In addition, 42(52.5%) strongly agreed that the use of barcode helps in maintaining the right quantity of inventory for optimal productivity and 30 (37.5%) agreed. 2(2.5%) respondents are strongly disagreed and 2(2.5%) are disagreed while 4 (5%) were undecided. This implies that the use of barcode helps in maintaining the right quantity of inventory for optimal productivity.

4.4 Inventory Management Practices on Organizational Profitability

Table 3: Effect of Inventory Management Practices on Organizational Profitability

S/N	Statement	SA	A	SD	D	UD
1	Profitability increases with availability of product varieties increases.	30 (37.5%)	38 (47.5%)	3 (3.7%)	2 (2.5%)	7 (8.8%)
2	Effective use of inventory management brings about cost reduction	37 (46.2%)	31 (38.7)	9 (11.3%)	2 (1.3%)	2 (2.5%)
3	Use of barcode help in proper inventory record keeping	34 (42.6%)	41 (51.2%)	3 (3.7%)	2 (2.5%)	-
4	Use of barcode helps in preventing pilferage	53 (66.3%)	17 (21.2%)	2 (2.5%)	7 (8.7%)	1 (1.3%)

Source: Field Survey 2020

Note: SA= Strongly Agree, A= Agree, U=Undecided, SD=Strongly Disagreed, D=Disagreed

Table 3 shows the respondents view on the effect of inventory management system on organizational profitability. Above average 30(37.5%) and 38 (47.5%) of the respondents strongly agreed and agreed, that availability of product varieties increases profitability, 3(3.7%) as well as 2(2.5%) of respondents are strongly disagreed and disagreed while 7(8.8%) were undecided. The result of the study shows that availability of product varieties increases profitability. The study also shows that 37(46.2%) and 31(38.7%) strongly agreed and agreed that the effective use of inventory management brings about cost reduction. 9(11.3%) of respondents strongly disagreed while 1(1.3%) disagreed but 2(2.5%) are undecided. This result indicates that the effective use of inventory management brings about cost reduction. Also, the result of the study identified that 34(42.26%) strongly agreed and 41(51.2%) agreed that use of barcode help in proper inventory record keeping. 3(3.7%) and 2(2.5%) of respondents were strongly disagreed and disagreed while none of the respondents is undecided. With the percentage of strongly and agreed respondents, it implies that the use of barcode help in proper inventory record keeping. Moreover, the work shows that above average 53 (66.3%) strongly agreed that the use of barcode helps in preventing pilferage and 17(21.2%) agreed. 2(2.5%) and 7(8.7%) of respondents strongly disagreed and disagreed while 1(1.3%) were undecided. This infers that the use of barcode helps in preventing pilferage.

4.5 Inventory Management Practices on Sales Turnover

Table 4: Effect of Inventory Management Practices on Sales Turnover

S/N	Statement	SA	A	SD	D	UD
1	Effective use of inventory increases sales turnover	34	37	3	4	2

		(42.6%)	(46.2%)	(3.7%)	(5%)	(2.5%)
2	Product availability enhances customer loyalty	36 (45%)	37 (46.2)	2 (2.5%)	4 (5%)	1 (1.3%)
3	Effective use of inventory system ensures timely services	40 (50%)	32 (40%)	5 (6.2%)	1 (1.2%)	2 (2.6%)
4	Meeting customer demand encourages customer patronage	51 (63.8%)	21 (26.3)	1 (1.2%)	3 (3.7%)	4 (5%)

Source: Field Survey 2020

Note: SA= Strongly Agree, A= Agree, U=Undecided, SD=Strongly Disagreed, D=Disagreed

Table 4 shows the respondents view on effect of inventory management on sales turnover. About 34(42.6%) of the respondents strongly agreed that the effective use of inventory increases sales turnover while 37(46.2%) agreed, 3(3.7%) strongly disagreed while 4 (5%) of respondents disagreed but 2(2.5%) are undecided. This report implies that the effective use of inventory increases sales turnover. Similarly, 36(45%) strongly agreed that product availability enhances customer loyalty while 37(46.2%) agreed. The participants that strongly disagreed are 2(2.5%) while those that disagreed are 4(5%) but 1(1.3%) of the participant was not decided. Going by the findings, product availability enhances customer loyalty. In addition, the study revealed that 40(50%) of the respondents strongly agreed that the effective use of inventory system ensures timely services. Also 32(40%) agreed, 5(6.2%) are strongly agreed, 1 (1.2%) agreed while 2 (2.6%0 were undecided. Therefore, it means that the effective use of inventory system ensures timely services. The result shows that 51(63.8%) strongly agreed that meeting customer demand encourages customer patronage while 21(26.3%) agreed. 4(5%) of the participants are undecided with 3(3.7%) disagreeing and 1(1.2%) strongly disagreeing. Going by the findings, meeting customer demand encourages customer patronage.

4.6 Discussion of the major findings

Inventory, as quantity or stock of goods that is held for some purpose or use is a unique aspect of all organizations that deal on retail stock, management remains a veritable tool that will bring about organizational success. The result of the study shows that inventory management significantly affects organizational growth. The result of the study agrees with a previous study by Anichebe (2013). In his study on the impact of proper inventory management on organizational performance in Emenite, Hardis & Dromedas and the Nigeria Bottling Company all in Enugu, Enugu State, Nigeria, it was found that inventory management is very vital to the success and growth of organizations. The study further agrees with the views of Green and Inman (2005). They contend that companies successfully optimize inventory through lean supply chain practices and systems to achieve higher levels of asset utilization and customer satisfaction which leads to improved organizational growth, profitability and market share. The finding of the study is predicated on the premise that when retail shops maintain a proper inventory management, not only that it will reduce a high inventory holding costs, it will also result to a reduced ‘wait time’ in attending to the customers’ needs. This will make the customers happy, thus increase customer loyalty and patronage resulting to organizational expansion and growth.

Another finding by the study revealed that efficient inventory management practices enhance organizational profitability. The finding supports earlier findings (Padachi, 2006; Eroglu & Hofer, 2011; and Panigrahi, 2013). In a study carried out by Padachi (2006) on ‘Trend in Working Capital Management and its Impact on Firms’, he reported that high investment in inventories and receivables results to lower profitability. The reason for this finding could be that high inventories tied up the financial capital of the firm resulting to lower profit. Eroglu and Hofler (2011) in their study on inventory management using US manufacturing firms within the period 2003-2008, they found that leanness positively affects firms’ profit margin. This study suggested a positive relationship between an efficient inventory management system and firms’ profitability. Panigrahi (2013) in the study on the ‘relationship between inventory management and profitability’ using five top Indian cement companies within the period 2001-2010, found that inventory conversion period had an inverse relationship with firms' profitability. The implication of this finding is that maintaining a high inventory could add to the conversion period days of the inventories, thus resulting to lower profitability. The study further agrees with the finding of Koumanakos (2008) that efficient inventory management through lean inventory management led to an improvement in a firm’s financial performance. Panigrahi (2013) posited that the higher the level of inventories preserved by a firm, the lower the rate of return. The significance of the finding is that maintaining a high inventory could tie up capital which could lead to lower profitability while maintaining low inventory could result to the inability of firms to meet customer demands resulting to lower profitability.

Subsequent finding by the study showed that efficient inventory management practices positively affected sales turnover. The result agreed with the findings of Dubelaar, Chow and Larson (2001), Thogori & Gathenya (2014) and Kairu (2015). Dubelaar etal in their study on the ‘Relationship between inventory, sales and service in a retail chain store operation’ reported that efficient inventory management supports an upward trend in sales while keeping the investment cost at the lowest level consistent with adequate customer service.

Thogori and Gathenya in their study in 2014 found that companies who maintain poor inventory management system find it difficult to satisfy their customers resulting to a lower sales turnover. Kairu (2015) in a study on the 'role of strategic inventory management on performance of manufacturing firms in Kenya found that poor inventory control maintained by manufacturing firms resulted to a reduced sales turnover. The study also corroborated the submission of Baumol and Ide (1956) and Cachon and Terwiesch (2006). Baumol and Ide (1956) as found that higher product variety and inventory levels at retail stores were associated with higher sales. They maintained that having more products at a store increased the probability that customers would find what they wanted. Cachon and Terwiesch (2006) were of the view that maintaining more inventory of a particular product increases sales. The reason for the finding could be that customers are motivated to buy more upon sighting products that will add value to them.

5. CONCLUSION AND RECOMMENDATION

5.1Summary of Findings

Based on the results of the study, the following summary is arrived.

i. Efficient inventory management practices positively affect organizational growth of firms.
ii. Efficient inventory management practices positively affect profitability of firms
iii. Efficient inventory management practices positively affect sales turnover of firms

5.2 Conclusion

Organization is nowadays taking a great look at inventory being the asset that provides a sustained competitive advantage in the business environment. Changes in business environment have led to increased importance of managing inventory. The changes that have brought great concern in the business environment include an increase in globalization, changing demographic patterns, diversified cultures, changes in the economic variables, changes in sociology and the influx of technology in the global scene. The interest of the study was on the effect of inventory management on organization. Specially, the study was interested on the effect of inventory management system on organizational growth, profitability and sales turnover. Based on the findings, it is concluded that, inventory management system affects organization. Global competition faced by organization has made it imperative for adequate inventory management. In this discourse, the success of many organizations today is directly related to the smooth management of inventory. In this regards, efficient management of inventory concerns most managers of marketing and supply businesses, whether they are retail, wholesale, or service oriented; successful, well-organized businesses rely heavily on inventory management systems to make certain that adequate inventory levels are available to satisfy their customer demand. The study concluded that stores and supermarkets with proper inventory management system are likely to grow and satisfy customers and shareholders.

5.3 Recommendations

The following recommendations were made;

i. The systematic management of inventory in any organization should be seen as a pre-requisite to the success of the organization hence, the management should design and develop inventory systems that could enable adequate sales turnovers.
ii. Management should ensure a constant review of various inventory management practices in the stores to enable them maintain profitability and consistently.
iii. The management of various organizations, especially the stores and supermarkets should see the need to install inventory systems that will enable business success, which will thereby bring about organizational growth

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