

**THE IMPACT OF INVENTORY MANAGEMENT ON SALES VOLUME IN  
SMEs: A CASE STUDY: BYENKYA INVESTMENTS**

**BY  
ACHOM CHRISTINE AIDAH  
BSP/10029/81/DU**

**A RESEARCH REPORT SUBMITTED TO SCHOOL OF BUSINESS IN  
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PROCUREMENT MANAGEMENT OF KAMPALA  
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### DECLARATION

I **Achom Christine Aidah** declare that this report is my original work and has never been submitted in any university or academic institution for an award of a Bachelors degree in Supplies and Procurement Management.

Sign.....*ACh*.....

**ACHOM CHRISTINE AIDAH**

DATE.....*11<sup>th</sup> / 10 / 2012*.....

### APPROVAL

The Research Report has been written by Achom Christine Aidah under the Supervision of Dr. Barasa Henry and is now ready for submission to the School of Applied Economics and Management Sciences of Kampala International University for Examination purpose.

Signed:  .....

**Dr. Barasa Henry**

Date: <sup>th</sup> 11 Oct. 2012 .....

## **DEDICATION**

I dedicate this research study to my parents Mr. Okiru Justin and Mrs. Oliga Teddy, to my husband Mr. Maciek William, my lovely brother Edebu David, Areba Walter, Oliaga Pius, Eglot Norbert, Okiru Daniel and to my dear sister Jennifer. To my aunties and Uncles from both sides. To my step daughters and sons mostly Agum Helen who stood by my side during my studies. And lastly to my beloved children and friends May God Bless you for your encouragement Amen.

## **ACKNOWLEDGEMENT**

My first acknowledgement goes to the almighty God for the life, wisdom and Guidance provided to me which made me able to write this report successfully.

I acknowledge my parents for the advice, care, love and financial support they rendered to me which made this report successful.

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Finally, I acknowledge my friends for their support, encouragement and help they gave me.

May the Almighty Lord bless them all.

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## **ABSTRACT**

The Study aimed at Inventory management and sales volume with the objectives of the study including; establishing the importance of inventory management, examining the factors affecting sales volume and finding out the relationship between inventory management and sales volume in SMEs.

The researcher used a quantitative cross sectional research design during data collection and Secondary Sources such as Text Books, Journal, Magazines, Internet, Reports and Conference proceedings. The study also reveals Empirical and Theoretical Literature on the variable of the Topic of the study.

The findings of the study revealed that Byenkya Agro Investment Limited gets the lowest price levels through inventory management, Sales performance management is low in the company, demand creation is limited in the company, inventory management improves customer satisfaction and inventory management also achieves high levels of customer service

The researcher recommended that Byenkya Agro Investment Limited should sensitize its employees more on inventory management, Managers should recognize their employees and involve them in all the practices of inventory management, the company should introduce on the job training basically to do with inventory management. The researcher also suggested some areas for further researcher like Inventory management and profitability, Customer care and sales volume in organization, Inventory management and sales performance in small scale industries



## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.0 Introduction**

This chapter includes the background, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study, significance of the study, and the structure of the research.

#### **1.1 Back ground of the study**

Cybart (2005) looks at Inventory management as a primarily about specifying the size and placement of stocked goods. Inventory management is required at different locations within a facility or within multiple locations of a supply network to protect the regular and planned course of production against the random disturbance of running out of materials or goods. According to Floyd (2000), the scope of inventory management concerns the fine lines between replenishment lead time, carrying costs of inventory, asset management, inventory forecasting, inventory valuation, inventory visibility, future inventory price forecasting, physical inventory, available physical space for inventory, quality management, replenishment, returns and defective goods and demand forecasting.

While Chalmers (2007), claims that inventory management is the actual number of units sold and the budgeted number, multiplied by the budgeted selling price per unit; also called sales variance.

$$\text{Sales Variance} = (\text{Actual Sales} - \text{Budgeted Sales}) \times \text{Budgeted Price}$$

If the actual sales are greater than the budgeted sales, a variance is favorable; otherwise, it is unfavorable. For example, ABC Shops sold 50,000 units of product A for \$21 each, in comparison with the budgeted 60,000 units at \$22. The sales volume variance is  $(60,000 - 50,000) \times$

\$22 = \$220,000. Since the actual sales were lower than the budgeted sales, the sales volume variance is unfavorable (Robinson, 2002).

The objective of inventory management is to maintain sufficient inventory to facilitate the smooth flow and sales of the Agro-chemical products for example fertilizers, animal feeds among others. Inventory management system application is to ensure continuous supply of raw materials, maintain sufficient finished, goods minimize costs associated with managing inventories, have items in stock for the market to buy the goods early enough to ensure delivery at the proper time (Floyd, 2000).

### **1.2 Problem statement.**

Despite the inventory management measures put in place by the organizations, there continues to be disparities between inventory management and sales (Pandey, 2000). A number of organizations have tried to manage their inventory systems, however, there has remained a gap in the operations especially minimization of costs associated with managing inventories and levels of sales. This prompted the researcher to research on inventory management and sales performance in small and medium enterprises.

### **1.3 Objectives of the study**

- i. To establish the importance of inventory management in SMEs.
- ii. To examine the factors affecting sales in SMEs
- iii. To find out the relationship between inventory management and sales in SMEs.

### **1.4 Research questions**

- i. What is the importance of inventory management in SMEs?
- ii. What are the factors affecting sales in SMEs

- iii. What is the relationship between inventory management and sales in SMEs?

## **1.5 Scope of the study**

### **1.5.1 Subject scope**

The research focused on inventory management and sales of the small and medium enterprises.

### **1.5.2 Geographical scope**

The research will purely be confined to Byenkya Investments located along Nakivubo avenue in Kampala central as a representative of the small medium enterprises affected by inventory management and sales.

### **1.5.3 Time scope**

This study will be conducted by a period of four months. Therefore this period is to outline the contribution of inventory management to the sales in Byenkya Investments

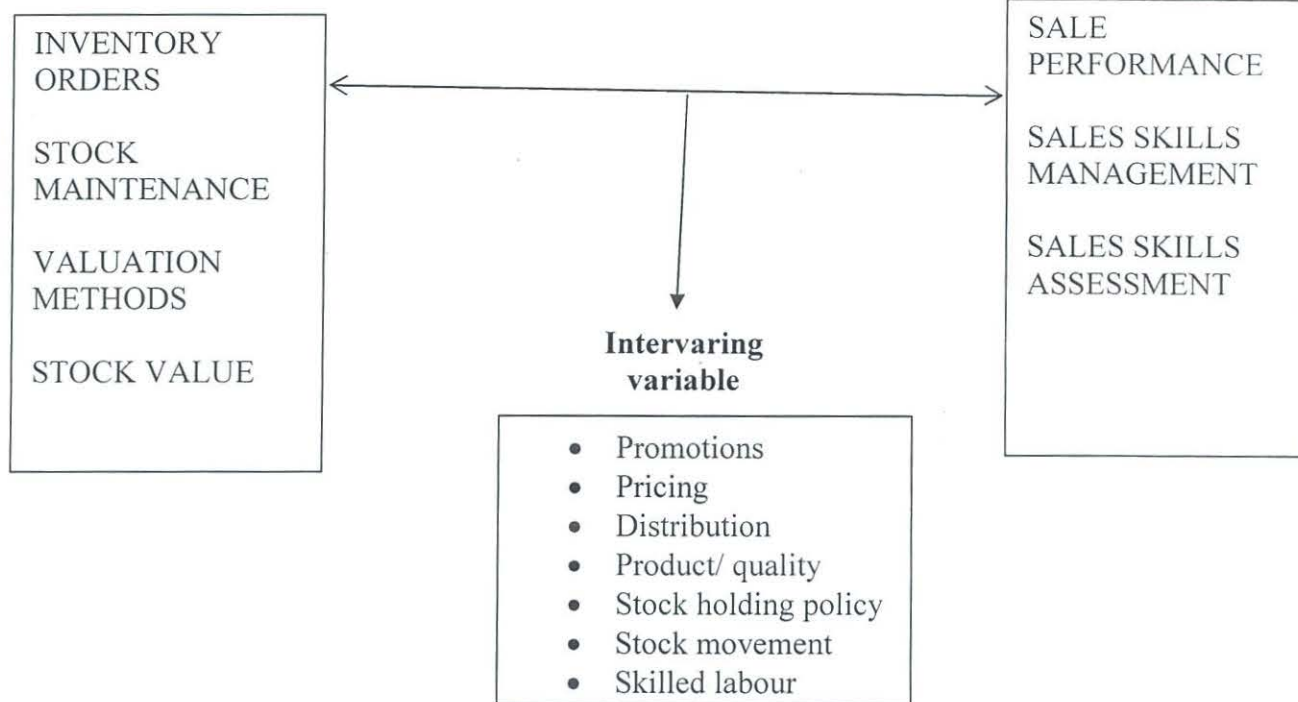
## **1.6 Significance of the Study**

- i. The study will benefit the small and medium scale businesses as it will enable them understand the importance of inventory management and how it relates to sales.
- ii. The research will be of importance to other researchers in the field of inventory management and sales by providing more literature to them on related topics.
- iii. The study will help the researcher to fulfill the requirement of Bachelor of Supplies and Procurement Management in Kampala International University.

### 1.7 conceptual frame work

**Independent  
variable**

**Dependent  
variable**





## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 INTRODUCTION**

This chapter reviews the existing literature on outsourcing and service quality. The chapter presents ideas organized according to the objective. Definition of key terms, types of outsourcing, reasons for outsourcing, service level agreements, service quality levels and the relationship between outsourcing and service quality in organizations.

#### **2.1 Inventory management**

Dickerson, (1995) looks at Inventory management as all those efforts made by managers to minimize costs including inventory costs to improve profitability levels.

Saleemi, (1993) asserts that inventory management is making sure the business has the right quantities of goods at the right time. Yet according to Lucey, (1990) Inventory management is the system used in firms to control the firms investment in stock.

##### **2.1.1 Importance of Inventory Management**

According to Chalmers, (2007) Inventory management is an important part of a business because inventories are usually the largest expense incurred from business operations. Most companies will use an inventory management system that will track and maintain the inventory required to meet customer demand. Most systems used by companies are linked to the management or accounting information system, increasing the effectiveness of their operations.

Inventory Orders; Inventory management systems help businesses order inventory by accurately recording consumer sales. Electronic inventory systems can track sales in a real-time format, ordering inventory automatically when current stock hits a predetermined minimum level



(Cosker, 2002). Electronic ordering, known as Electronic Data Interchange (EDI), allows companies to maintain the proper amount of stock by not increasing costs through over-ordering of inventory. EDI also ensures that orders are placed immediately, ensuring short amounts of lead time to receive new inventory (Ballou, 1987).

Stock Maintenance Conie, (2003) asserts that Computerized inventory management systems allow companies to properly order and maintain several different types of goods. Different styles, colors or sizes can easily be managed to ensure that consumer demand is met through offering a variety of goods. Most companies use inventory management to keep stock items separate from similar goods; this allows management to determine which items are selling well and which items need to be reduced from inventory based on poor sales (Daft, 2005).

Price Levels Properly managing goods is largely based on the cost of the goods incurred by the business. Using inventory management systems will help companies find the lowest price on inventory items and ensure that the best deals are reached when purchasing these items (Cybart, 2005). Purchasing goods by volume also helps companies to lower their cost on inventory, ensuring that low prices are assured to consumers. Inventory management systems track costs from purchased goods and can prepare a report indicating which vendors have the lowest cost on goods (Floyd, 2000).

Count Methods; according to Daft, (2005) all inventories need to be counted and reconciled to the information provided by inventory management systems. Computerized systems will generate current inventory reports for management to use when conducting physical counts of on-hand inventory items. These systems will also prepare reports showing the current sales or transfers of inventory to allow management to track sold or moved goods. After conducting a physical

count, inventories can be adjusted in the inventory system to ensure accurate reporting (Citman, 1997).

Trend Analysis Cybart, (2005) asserts that a great function of inventory management systems is the trending analyses that are generated for management review. These trends are used to see which months have high inventory levels or the effectiveness of inventory purchases. Trends also ensure that companies can order inventory if the inventory management system does not accurately reflect upcoming busy seasons, such as holidays or back-to-school shopping (Conie, 2003).

## **2.2 Sales**

According to Longenecker, (2008) sales is the quantity or number of goods sold or service rendered in the normal operation of the firm in a specific period of time

Kotler, (2007) asserts that the performance of small businesses can be measured using sales volume, profitability and productivity.

### **2.2.1 Factors affecting sales**

**Sales Selection:** according to Glazier, (2001) Organizational sales success is not unlike the world of team sports it starts with high quality sales talent. Understanding the critical sales skills required is the first step in talent selection. For example, a large consulting firm analyzed its top performers and found that qualifying, answering objections, perseverance, customer service, negotiation skills, personal responsibility, and a profit mentality were the critical sales skills that differentiated its top performers from its weakest performers. Understanding these critical skills led the firm to devise a critical skills test and tailor its interviewing process to test for those critical skills (Kakuru, 2000).



**Sales Performance Management:** Even your strongest sales performers need sales management. The three areas that need attention are: Pipeline management, forecast accuracy, ongoing skills training (Kotler, 2000). A management process that monitors these three areas leads to consistently high performance and predictability.

**Sales Skills Assessment:** Mukasa, (2007) asserts that since selling is a practicing profession that requires certain skills, it is important that your sales staff's skills are assessed often. Just as the top professionals in any industry continually practice the fundamentals, sales professionals must do the same. A sales assessment tool gives the sales professional and management an unambiguous view of the salesperson's strengths and weaknesses.

**Defined Solution Offerings:** An often-overlooked area is defining your core offerings. Well-defined offerings combined with equally well thought out customer value propositions enable your sales force to: Select, Propose, and Close the best opportunities. Defined offerings keep your focus on those opportunities that create the greatest value (Robinson, 2002).

**Demand Creation:** Pandey, (2000) asserts that good qualifying starts with having a large number of good opportunities to evaluate. Opportunity generation is an ongoing systematic program. Its major components include: Seminars, mailings, telesales, associated networking, publishing, search engine placement, channel partners. The mindset for lead generation must be a "24 hour by 7-day a week" activity. How can that be? Published articles, search engine placement, and targeted mailers are just a few examples of lead generation not bound by the 8:00 a.m. to 5:00 p.m. workday. Lead generating is the first step to building a profitable sales funnel (Samson, 1993).

**Qualifying:** according to Kakuru, (2000) the acronym BCMAN will serve your sales professional and sales management well. The "BC" stands for buying criteria. It goes without saying that the buying criteria needs to be well understood, but our research shows that in a great majority of the pursuits, buying criteria is at best fuzzy and at worst unknown, the "M" stands for money, meaning the procurement funded, the "A" stands for authority, i.e., does the person have the authority to buy?, the "N" stands for need. Does this prospect have a compelling need to buy? We want to emphasize that the need must be compelling enough to motivate the prospect to action. We all have needs, but it is the compelling ones that cause action. Expert qualification throughout the whole sales cycle, but especially up front, will increase sales and considerably reduce your costs because your organization is not chasing deals that won't happen (Jordan, 1997).

Duclos et al. (2003) looks at Proposal Clarity as a clear definition of your prospects' needs, three win themes or less, and no boilerplate will increase win rate. In doing hundreds of win/loss reviews, the two recurring buyer themes were: They didn't understand my need, I didn't understand their proposal. People don't buy benefits they can't understand.

**Existing Client Expansion:** Ikiara, (2002) asserts that existing satisfied clients are fertile ground for new sales. They're easier to approach and we usually understand them better. Our research has shown that a satisfied client will increase its business with you an average of 20% per year. Applying the "rule of the 72" from compound interest, a 20% expansion factor means that your businesses with a given client will double every 3.6 years (Giunipero et al. 2008)..



### **2.3 Relationship between Inventory Management and Sales**

Inventory flexibility, as a part of flexibility, is defined as the ability to effectively increase or decrease aggregate production in response to customer demand (Cleveland et al. 1989), which requires close coordination between a manufacturer and its suppliers, especially in the face of increasing demand. Inventory flexibility directly impacts on a supply chain's performance by avoiding out-of-stock situations for products that are suddenly in high demand or by maintaining high inventory levels (Angel Martinez Sanchez and Manuela Perez Perez 2005). Therefore, inventory flexibility should be examined from an integrative perspective. In addition, inventory management should be implemented and achieved through distinctions between internal competences and external capabilities. Company efforts that reflect internal competence are not observable to customers, while customers could see and value external capabilities (Qingyu Zhang et al. 2005). Therefore, the internal management competences and customer service capabilities that reflect inventory flexibility and inventory management level respectively should be explained and the relationships among them should be examined.

Flexibility is a complex, multidimensional concept that is difficult to define. As for the extant literature, there are various types of flexibility. In their reviews, Sethi and Sethi (1990) identified more than fifty different terms covering various aspects of flexibility, which can be classified into three levels: components (or basic), systems, and aggregates. Koste et al. (1999) developed a similar model for supply chain flexibility and agility. Vickery et al. (1999) defined five supply chain flexibilities, which include product, volume, launch, access, and responsiveness flexibility. In these diversified types of flexibilities, inventory management flexibility is considered as a part of volume flexibility alongside adjustment capability and process flexibility (Taps 2005). Inventory management flexibility is the integrative ability to vary point of use or warehouse inventory levels



to respond to changing needs, and this flexibility is most likely affected by machine and capacity flexibility (Taylor et al. 1995).

Previously, inventory management flexibility was regarded only as a sort of individual basic-shop level issue, which does not belong to the aggregate-chain level element, or it can be treated as occurring within the area of managerial competence. But from a supply chain perspective, inventory management could be viewed as happening within and outside the process of how resources and activities are leveraged, based on environmental demands. As Fredericks (2005) pointed out, a business-to-business model may infuse flexibility throughout its organizations by developing close inter- and intra-firm relationships so that effective and alternate strategies and structures emerge that address environmental dynamism. In business-to-business markets, intra-firm inventory management may be involved with cross-functional coordination, as well as engineering, finance, and internal interfaces. Inter-firm inventory management represents coordination and cooperation with outsiders, including suppliers or customers to achieve high inventory performance with low total costs. Therefore, inventory management flexibility is defined as a systematic competence to manage and take responsibility for two or more functions along the supply chain, whether within or outside the firm.

Intra-firm inventory management flexibility refers to an inventory managerial ability to align appropriate internal systems and procedures to achieve high levels of customer service; its resource utilization and coordination occur at the functional level. Intra-firm inventory managerial flexibility can be achieved only when three conditions--joint management, information sharing between cross-functional units, and a low level of internal conflict--are satisfied. On intra-firm inventory managerial flexibility, two important aspects were considered as effective

ways to keep reasonable inventory: inventory control and reactive methods (Bowersox et al. 2002).

Inventory control is the managerial procedure for implementing an inventory policy. The inventory level is likely to go up as demand increases, especially point-of-use inventory, which should increase as a function of mix size and demand to support setup flexibility. With ramping inventory levels, strict adherence to inventory management techniques or policies is even more essential, so that inventory record integrity and traceability can be maintained to the appropriate level (Taylor et al. 1995). In order to keep inventory record integrity and traceability, companies should not only have clear and integrated bills of materials or dynamic products lists but also have cross-functional team responsible for inventory performance management, because the achievement of inventory management can be accomplished only by process/outcome control mechanisms, and by organizational safeguard mechanisms. A true inventory management process might require a functional area within a firm to suboptimize its performance to benefit the firm as a whole. This might result in conflict from the suboptimized function. For example, achieving the desired availability might require warehouse to increase its expenditure, resulting in unfavorable inventory carrying costs. Therefore, to achieve integrity and traceability of inventory, a company should have a very flexible team to coordinate with the production function, customer needs, and overall internal value chain activities, and all impacted areas should agree on the appropriate performance metrics and their definitions

## **2.4 Conclusion**

According to Chalmers, (2007) the importance of inventory management as discussed above include; Inventory Orders, stock Maintenance, Price Levels Properly, Count Methods, Trend Analysis.

The factors that affect sales volume in the small scale businesses as discussed above include; Sales Selection, Sales Performance Management, Sales Skills Assessment, Defined Solution Offerings, Demand Creation, Qualifying, Proposal Clarity, Existing Client Expansion (Floyd, 2000).

According to Bowersox et al. (2002) Inventory management flexibility increases production of the business, inventory flexibility improves the supply chain management of the business, inventory management supports the future sales thus increasing the sales volume, inventory management improves customer satisfaction, inventory management bases on the environmental demands, inventory management flexibility leads to achieving of high levels of customer service thus promoting the sales volume of the business.



## **CHAPTER THREE METHODOLOGY**

### **3.0 Introduction**

This chapter describes the content and methods that were used in this study. It specifically includes a description of the research design, data collection methods, sources of data, study variables and limitation.

### **3.1 Research design**

The research design used was both qualitative (descriptive) and quantitative in nature that is to say information was obtained from already existing literature as well as from the field for example the use of the questionnaires.

### **3.2 Study area**

The study was carried out in Byenkya Investment Limited in all the departments of the organization that is the administration department, finance department and the marketing department.

### **3.3 Population and Sample Size**

The study population size comprised of 45 employees of Byenkya Investment and the selected sample size was 27 which is 60% of the employees from various departments that is finance department, administration department and marketing department. This was viewed adequately to provide relevant information regarding the effects of inventory management on sales volume in SMEs.

### **3.4 Sample design and procedure**

A simple random sampling design was used and it involved obtaining of the sample frame and then selecting randomly the sampling units from the sample frame to avail the relevant information on how inventory management affects sales volume.

### **3.5 Measurements of variables**

The study variable was measured using a questionnaire built on a 5 likert scale ranging from “1) strongly disagree, 2) disagree, 3) not sure, 4) agree, 5) strongly agree.”

### **3.6 Sources of data**

The data was collected from both primary and secondary sources and secondary data refers to information got from journals, text books, magazines, internet among others. The primary data is the data got directly from the organization using questionnaires or interviews.

### **3.7 Data collecting method**

The research instruments that were used are the questionnaires

#### **Questionnaire**

With this instrument, questions were drafted and presented to the respondents for answering. The questionnaire method was close because of its simplicity, comprehensiveness and also helps in getting a lot of information in a short period of time.

### **3.9 Data Processing and Analysis**

Data from the field was sorted, edited, recorded, organized and later analyzed through tabulations. Summary tables were made after data collection, percentages were determined for quantitative data and descriptions were made in the analysis of data in order to come up with full information.

### **3.9 Limitations of the study**

Time constraints: The research involved a large volume of time devoted to desk research. This was time consuming and yet the researcher had limited time in which to do the research and was still continuing with



classroom study. The researcher had to give up on her leisure time and concentrate on her research.

Financial constraints: The researcher was constrained by inadequate funds to meet the entire research activity. The researcher therefore got financial support from her friends, relatives and her parents.

Data constraints: The research is based on primary and secondary data. Secondary data may contain errors and is not very accurate. The data is usually historical and may not apply to current situation which may jeopardize its relevance. For the primary data, it was very difficult for the people in the company to give the researcher the information. So the researcher had to try so hard and convince the manager and employees to give her the information that she needed.

## CHAPTER FOUR

### DISCUSSION AND INTERPRETATION OF FINDINGS

#### 4.0 Introduction

The researcher aimed at assessing how inventory management affect sales volume with a case of Byenkya Agro Investment Limited, therefore this chapter presents the interpretation of the findings

#### 4.1 Findings on the Demographic characteristic of respondents in Byenkya Agro Investment Limited

Primary data was used during data collection and secondary data was used as a complementation of the primary data. 27 Questionnaires were taken to Byenkya Agro Investment Limited and 22 were returned.

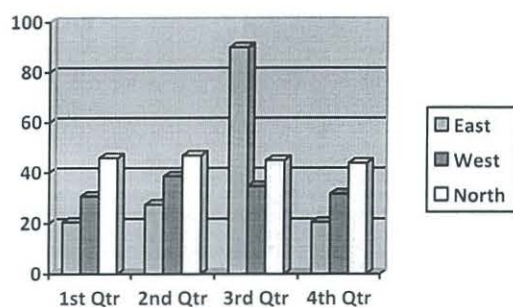
**Table.1 Showing the Sex of respondents in Byenkya Agro Investment Limited**

<b>Sex of respondents</b>	<b>Frequency</b>	<b>Percentage</b>
Males	12	54.5
Females	10	45.5
<b>Total</b>	<b>22</b>	<b>100%</b>

**Source** *primary data*

From the table the majority of the respondents were male, who were 12 in number and this represented 54.5% and females were 10 representing 45.5%. This implied that data reliability was expected because Byenkya Agro Investment Limited has casual work mostly so it mainly employees men.

**Figure. I Showing the Sex of respondents in Byenkya Agro Investment Limited**



**Table. II Showing the Age of respondents in Byenkya Agro Investment Limited**

Age	Frequency	Percentage
20 -25	6	27.3
26 -30	10	45.5
31-35	3	13.6
36-40	2	9.1
41 and above	1	4.5
<b>Total</b>	<b>22</b>	<b>100%</b>

**Source** *primary data*

In the table above, it is revealed that majority respondents were within the age group of 26 -30years representing 45.5%, followed by age bracket of 20-25 representing 27.3 and followed by age bracket of 31- 35 years represented by 13.6%. All respondents were above 18 years and this indicated that all the respondents a research dealt with were adults Since Byenkya Agro Investment Limited deals with mature workers.

**Table.III Showing the Education level of respondents in Byenkya Agro Investment Limited**

<b>Qualifications</b>	<b>Frequency</b>	<b>Percentage</b>
Masters level	2	9.1
Degree	6	27.3
Diploma	8	36.4
A-Level	4	18.2
Others	2	9.1
<b>Total</b>	<b>22</b>	<b>100%</b>

**Source** *primary data*

According to the table above, majority of the respondents were at diploma level and this represented 36.4%, followed by degree holders who were 6 and represented 27.3%. Byenkya Agro Investment limited deals with mainly casual work which does not require high qualifications that's why most employees were at a diploma level.

**Table. IV Showing the Number of years respondents have worked for the company**

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
1 – 5 years	10	45.5
6 – 10 years	7	31.8
11 and above	5	22.7
<b>Total</b>	<b>22</b>	<b>100%</b>

**Source** *primary data*

The findings in the table above revealed that the majority of respondents had worked for a period between 1-5years and this represented by 45.5%, followed by those who had worked between 6-10years who represented 31.8%, and above 11years were 22.7%. This is because most



employees in Byenkya Agro Investment limited are too committed to their work in that they don't want to leave their jobs.

## 4.2 Importance of Inventory management in Byenkya Agro Investment Limited

**Table V Showing the Importance of Inventory management in Byenkya Agro Investment Limited**

	SA		A		NS		D		SD	
Assertion	F	%	F	%	F	%	F	%	F	%
Byenkya makes inventory orders	4	18.2	6	27.3	4	18.2	1	4.5	7	31.8
Byenkya maintain the types of goods when ordering inventories	9	40.9	4	31.8	3	22.7	2	22.7	4	18.2
Byenkya gets the lowest price levels through inventory management	11	50	3	13.6	4	18.2	2	9.1	2	9.1
Inventories are counted in Byenkya investment	9	40.9	6	27.3	7	31.8	0	0	0	0
There is trend analysis in Byenkya investment	6	27.3	2	9.1	7	31.8	3	13.6	4	18.2

*Source; primary data*

From table 5, various importance of inventory management were set out for the respondents and they included; making inventory orders, maintaining the types of goods when ordering inventories, getting the



lowest price levels through inventory management, counting inventories, trend analysis in Byenkya investment. Among the set out importance respondents strongly agreed on the company getting the lowest price levels through inventory management which was represented by 50% of the employees, followed by counting of the inventories which represented 40.9% and employees also strongly agreed on the company maintaining the types of goods when ordering inventories which represented 40.9%. this strong agreement meant that Byenkya investment really benefit from inventory management since it actually get the products at the lowest prices levels which help it to accumulate more profits.

Most employees were not sure about the trend analysis in the company and the counting of inventories where by they were both represented by 31.8% of the employees who were not sure, this therefore meant that employees in Byenkya were not sensitized how inventory management can lead to trend analysis in the company and how it can lead to counting of the inventories.

However most employees strongly disagreed on the making of inventory orders which was represented by 31.8% of the employees, this therefore meant that employees were not sure about which inventory orders they meant that is why most of them disagreed on it. This is because most employees in Byenkya investment did not clearly know what inventory management meant therefore there is still need for more sensitization about inventory management in Byenkya Agro investment limited.

According to Conie, (2003) the most important reason as to why companies opt for inventory management is to acquire products at the lowest price levels and to reduce chain with in the purchase of the products. This has however been strongly agreed upon by the employees of Byenkya investment that getting the lowest price levels is the most

important reason as to why companies go for inventory management. This therefore shows how clear the results got from the company are since they are also agreed up by the author.

#### 4.3 The Factors affecting sales volume in Byenkya Agro Investment Limited

**Table VI; Showing the factors affecting sales volume in Byenkya Agro Investment limited**

	SA		A		NS		D		SD	
Assertion	F	%	F	%	F	%	F	%	F	%
There is no sales selection in Byenkya	3	13.6	5	22.7	4	18.2	2	9.1	8	36.4
Sales performance management is low in Byenkya	10	45.5	6	27.3	0	0	2	9.1	4	18.2
There is no sales skills assessment	6	27.3	4	18.2	8	36.4	2	9.1	2	9.1
Demand creation is limited in Byenkya investment	10	45.5	5	22.7	0	0	3	13.6	4	18.2
Some proposals used in Byenkya are not clarified	3	13.6	2	9.1	5	22.7	4	18.2	8	36.4
There is no existing client expansion in Byenkya investment	2	9.1	3	13.6	5	22.7	3	13.6	9	40.9

*Source; primary data*

From table 6, various factors that affect sales volume were set out to the respondents of Byenkya Agro Investment Limited and the above results were obtained.

The factors included; sales selection, sales performance management, sales skills assessment, demand creation, clarity of proposal, existing client expansion in Byenkya investment. According to the results above 45.5% of the employees strongly agreed that there is a limited demand creation in the company and that sales performance management is low in Byenkya Investment. This meant that the company does not take demand creation as a major point for its sales volume performance.

36.8% of the employees were not sure about the sales skills assessment in the company which meant that employees did not understand what skills assessment meant and may be they had never had of it in the company.

40.9% of the employees strongly disagreed that there is not existing client expansion in the company which meant that employees were sure about client expansion existing in Byenkya Agro investment.

According to Robinson, (2002) client expansion should be considered for any company to raise its sales volume, this was therefore strongly agreed up on by the employees of Byenkya Agro investment that client expansion is mostly considered in the company.

The researcher therefore deduced that demand creation is limited in Byenkya investment and this is based on the results got from the employees of the company who actually strongly agreed that there is no demand creation in the company.



#### 4.4 Relationship between Inventory Management and Sales volume

**Table VII, Showing the Relationship between Inventory Management and Sales volume**

Assertion	SA		A		NS		D		SD	
	F	%	F	%	F	%	F	%	F	%
Inventory management flexibility increases production	3	13.6	5	22.7	4	18.2	2	9.1	8	36.4
Inventory flexibility improves the supply chain management	9	40.9	5	22.7	3	13.6	3	13.6	2	9.1
Inventory management supports the future sales	10	45.5	4	18.2	3	13.6	2	9.1	3	13.6
Inventory management improves customer satisfaction	10	45.5	6	27.3	0	0	3	13.6	3	13.6
Inventory management achieves high levels of customer service	10	45.5	4	18.2	3	13.6	2	9.1	3	13.6

*Source; primary data*

From table 7 above, the relationship between inventory management and sales volume were set down for the respondents and these relationships included the following; Inventory management flexibility increases production, Inventory flexibility improves the supply chain management, Inventory management supports the future sales, Inventory management improves customer satisfaction, Inventory management achieves high levels of customer service.

The results indicated that, Inventory management supports the future sales, Inventory management improves customer satisfaction, Inventory management achieves high levels of customer service were the most relevant relationship in the company which were strongly agreed upon by 45.5% of the employees in Byenkya Investment, followed by the Inventory flexibility improving the supply chain management in the company which was represented by 40.9% of the employees in Byenkya investment.

The results indicated that 18.2% of the employees were not sure about Inventory management flexibility increasing production of the company meaning that most employees of the company do not know how the flexibility of the employees bring about the high production of the company. This is because the company has more technology to the extent that employees needed there are few so they believe in the flexibility of the machine than the inventory.

The strong disagreement was also on Inventory management flexibility increasing production in the company with a representation of 36.4% of the employees of Byenkya investment meaning that most employees do not know how inventory management leads to high productivity of the company.

Bowersox et al. (2002) believed that Inventory management achieves high levels of customer service for any company dealing with inventory management, this was supported by the strong agreement of the employees of Byenkya investment which was represented by 45.5% of the employees who strongly agreed upon it meaning that the results got from Byenkya Investment were also supported by the author above.

The researcher therefore deduced that Inventory management supports the future sales, Inventory management improves customer satisfaction and also Inventory management achieves high levels of customer service were the most relevant relationship in the company which were strongly agreed upon by 45.5% of the employees in Byenkya Investment due to the support from (Bowersox et al. 2002).



## **CHAPTER FIVE**

### **SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introductions**

This chapter highlights the summary of findings, conclusions and recommendations.

#### **5.1 Summaries of major findings**

The study was conducted with three major objectives.

Establishing the importance of inventory management, examining the factors affecting sales volume and finding out the relationship between inventory management and sales volume in SMEs.

According to the researcher, she found out that by the used of inventory management in Byenkya Agro investment, it gets the lowest price levels through inventory management which actually help to raise its profits and that it also maintains the types of goods when ordering inventories.

The researcher also found out that due to factors affecting sales volume in Byenkya Agro investment, there are two major factors according to the results got from the employees of Byenkya and they included Byenkya has low sales performance management and that demand creation is limited in the company which were also supported by (Robinson, 2002).

Also the researcher found out that, there existed a relationship between inventory management and sales volume in Byenkya Agro investment. All the relationships were agreed upon by the respondents but the employees strongly agreed on Inventory management supporting the future sales, Inventory management improving customer satisfaction and Inventory management achieving high levels of customer service where (Bowersox et al. 2002) agreed with Inventory management achieving high levels of customer service.

## **5.2 Conclusion**

From the study it can be concluded that the importance of inventory management as approved by the respondents of Byenkya investment and (Conie, et al, 2003) were getting low price levels, maintaining the types of goods when ordering inventories, counting of inventories, trend analysis and making inventory orders.

It should be noted that factors affecting inventory management in small and medium enterprises were sales selection, sales performance management, sales skills assessment, demand creation, proposal clarity and existing client expansion. These were approved by the employees of Byenkya investment according to the results got from the company and also (Robinson et al, 2002).

From the study there is a positive relationship between inventory management and sales volume in Byenkya Agro Investment Limited. According to the research is noted that Inventory management supporting the future sales, Inventory management improving customer satisfaction and Inventory management achieving high levels of customer service which was also supported by (Bowersox et al. 2002)

Therefore inventory management must be emphasized in Byenkya Agro investment Limited as a way of improving sales volume of the company and raising its profitability. This should be done by sensitizing inventory management in the company that is to say making sure all employees understand inventory management and its importance to the company.

## **5.2 Recommendations**

The research findings revealed that inventory management is of great importance on sales volume of small and medium enterprises. However,



sales volume was found to be a major challenge to many managers because of its complexity. Therefore the researcher recommended the following:

Byenkya Agro investment limited managers should sensitize its employees more on inventory management because it was revealed that most employees of Byenkya investment do not understand the term inventory management and its importance to the company.

Managers should recognize their employees and involve them in all the practices of inventory management such that they are not left behind on the new technologies and ideas introduced in the company hence increasing the profitability of the company.

The researcher recommended the managers of Byenkya investment to increase sales performance management in the company because it was approved to be very low by the respondents. This can be done by motivating the employees of the company that is to say raising their salaries, paying for extra time worked for thus improving the sales performance management.

The researcher also recommended the managers of the company to introduce on the job training basically to do with inventory management, this can be done by getting trainers who are specialist in inventory management to train employees about it and this will help them to know how to handle inventory management in the company.

The managers should also focus on other factors that could improve the sales volume of the company other than inventory management for example the record keeping of the company should be emphasized for its profitability.



#### **5.4 Areas of further research**

This study is not conclusive in itself it does not cover all areas of the study about the subject due to limited resources. Therefore more study should be done in the following areas.

- Inventory management and profitability
- Customer care and sales volume in organization
- Inventory management and sales performance in small scale industries

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## APPENDIX A

### QUESTIONNAIRE

I Achom Christine Aidah a student of Kampala International University pursuing a Bachelor's degree in supplies and procurement Management. I am conducting a research on Inventory management and sales with the case study of Byenkya Agro Investment Limited.

Kindly spare your valuable time and respond to the following questions about Inventory management and sales.

Your answers will not be disclosed to any one and thus there is no need to write your name on the questionnaire.

### SECTION A

#### BACKGROUND INFORMATION

(Tick the most appropriate one)

1. Department/ unit of work  
Finance ☐      Marketing ☐      Administration ☐  
Non of the above ☐
2. Sex      Male ☐      Female ☐
2. Age group?  
20 - 25years ☐      26 - 30years ☐      31 - 35years ☐  
36 - 40years ☐  
41 and above ☐
3. Highest academic qualification  
Masters level ☐      Degree level ☐      Diploma level ☐  
"A" level ☐      Others ☐  
Specify  
.....



4. How many years have you been working with Byenkya Agro Investment Limited?

1 -5years ☐ 6-10years ☐ 11 and above years ☐

5. What is your marital status?

Single ☐ Married ☐ Widow ☐

## APPENDIX B

### IMPORTANCE OF INVENTORY MANAGEMENT

In the table below tick accordingly where 1. Strongly Disagree 2. Disagree  
3. Not Sure 4. Agree 5. Strongly Agree.

		1	2	3	4	5
1.	Byenkya makes inventory orders					
2.	Byenkya maintain the types of goods when ordering inventories					
3.	Byenkya investment gets the lowest price levels through inventory					
4.	Inventories are counted in Byenkya investment					
5.	There is trend analysis in Byenkya investment					

## APPENDIX C

### FACTORS AFFECTING SALES VOLUME IN BEYENKYA INVESTMENT

Tick the appropriate one where 1. Strongly Disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly Agree

		1	2	3	4	5
1	There is no sales selection in Byenkya investment					
2	Sales performance management is low in Byenkya					
3	The is no sales skills assessment in Byenkya investment					
4	Demand creation is limited in Byenkya investment					
5	Some proposals used in Byenkya are not clarified					
6	There is no existing client expansion in Byenkya investment					



## **APPENDIX D**

### **RELATIONSHIP BETWEEN INVENTORY MANAGEMENT AND SALES**

#### **VOLUME IN BYENKYA INVESTMENT**

Tick the appropriate one where 1. Strongly Disagree 2. Disagree 3. Not Sure 4. Agree 5. Strongly Agree

		1	2	3	4	5
1	Inventory management flexibility increases production					
2.	Inventory flexibility improves the supply chain management					
3	Inventory management supports the future sales					
4.	Inventory management improves customer satisfaction					
5.	Inventory management leads to achieving to achieving of high levels of customer service					

**Thank you**