BINDURA UNIVERSITY OF SCIENCE EDUCATION



RESEARCH TOPIC:

THE IMPACT OF INVENTORY MANAGEMENT ON ORGANIZATIONAL PERFOMANCE: A

CASE STUDY OF FREDA REBECCA GOLD MINE (2018-2022).

BY

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**RELEASE FORM**

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**The program for this project**: Bachelor of Commerce Honors Degree in Purchasing and Supply

**Year established:**  2022

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**APPROVAL FORM**

The signatories below confirm that they have read and approved the Purchasing and Supply at Bindura University of Science Education for acceptance; a project titled “The Impact of Inventory Management on Organizational Performance, a case study of Freda Rebecca Gold Mine,” presented by Isaac Kaposa in partially meeting the necessities for an Bachelor of Commerce Honors Degree in Purchasing and Supply.

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# DECLARATION FORM

I, Isaac Kaposa, have pronounced that this study report is my own work, excluding what is shown in the references, acknowledgments and comments used in the text of the report, and it was not shared with any other university.

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Date

**ACKNOWLEDGEMENT**

Initially, I want to offer my sincere gratitude to Mr S. P. Mandaza my dissertation supervisor who sacrificed much in bringing such a good work. His expertise, interest as well as his commitment towards managing my work was awesome. I would want to extend my gratitude to Mr Masaire who is the procurement and stores manager at Freda, for allowing to come and collect the data at their workplace. Special thanks to my parents as well as siblings for their unwavering support, they strengthened me and have provided me with required resources which I believe to have caused this project to become successful. Last but not least, I would want to show my appreciation and thanksgiving to the Lord Jesus Christ who made all these efforts to become fruitful. Thank You, JESUS,

**DEDICATION**

This project is dedicated to my parents and siblings as a special appreciation for their unwavering love and care that they have always showed since day one. They are the ones who kept my dreams constantly alive especially in compiling this research. Their desire for my success and their support will always be appreciated. God will continue to bless you.

# ABSTRACT

This study was investigating on the impact of inventory management on organizational performance of Freda Rebecca Gold Mine. The objectives of the study were to identify the importance of inventory management to Freda, to identify inventory management challenges currently being faced by Freda and to identify the relationship between inventory management and organizational performance. A sample size of 40 employees was selected from the department of stores, finance and production. Questionnaires were distributed for data collection. The data was analyzed and interpreted using descriptive methods and was presented in the form of tables, pie charts and graphs. The findings indicated that there is a positive relationship between inventory management and organizational performance. It was recommended that Freda has to train and educate its employees on how to manage inventory. Inventory management policies must be introduced to ensure that employee obeys them as well as applying a new system such as the Enterprise Resource Planning (ERP).

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# CHAPTER I

**INTRODUCTION**

## 1.1 Introduction

This chapter will highlight the background of the study, statement of the problem, research objectives, research questions, significance of the study. The researcher will also define the terms that will be used in the study.

## 1.2 Background of the study

Freda Rebecca Gold Mine is situated near the town of Bindura, 87 km north-east of Harare, Zimbabwe. This organization lies on the central axis of the synclinal Mazowe - Bindura Greenstone belt. Bindura’s latitude is -17.299, longitude is 31.3299 and its altitude is 1108 meters. Currently it is a subsidiary member of Kuvimba Mining House since 2020. Government and its agencies collectively have a 65 percent shareholding in Kuvimba Mining House, while the other 35 percent is owned by management and a consortium of investors. The Mine is led by the Managing Director followed by the mine manager as well as plant and underground manager and other heads in different sections. There are departments such as finance, human resource, Information and Technology, Safety, Health and Environment among others. Freda Rebecca gold mine has proven reserves of 2.4 million tons (mt) for a period of 4 years making it the biggest gold mine in the country.

The Freda oxide and the Freda and Rebecca sulphide gold deposits were discovered in 1987. Mine development commenced under Cluff resources by two open pits removing oxides at Freda and sulphides at Rebecca. The first gold pour took place in 1988. Ashanti Goldfields Zimbabwe acquired the mine in 1996. Underground operations commenced at the Rebecca section in 1996. In 1998, the Freda pit was depleted and the Freda Rebecca Mine became a full underground operation. Mwana Africa became the successor of Anglo-Gold Ashanti in September 2004.

Freda Rebecca Gold Mine (FRGM) continued function for over 17 years from 1988 before processes were left on care and maintenance in March 2007 as a result of the hostile economic and operating situations in Zimbabwe. During the first phase of the program 180oz was produced Operations were then restarted in 2009 and this was now the second phase of the program and output that was produced added up to 50,000oz per year. Currently, the mine comprises a shallow underground operation, currently mining at a depth of circa 200m and open pit operation and processes ore through a single facility utilizing a combination of crushing, conventional sag milling, combined gravity and CIL process, electro-winning and bullion smelting. FRGM broke the record in June 2021 of 300kg by producing 311kg. Last year before March it was producing 150kg per month. Since 2021 the mine is now maintaining the target of 300kg every month.

Figure 1.1 FRGM Monthly Gold Production

Source: Freda Rebecca Gold Mine Monthly Production Reports.

Monthly production was around 150kg in the previous years until the period that the Kuvimba Mining House took over. That was in 2020 and production was 226kg before it reached 300kg in May 2021 followed by 311kg in June 2021 which is the maximum output recorded up to date.

Freda has been using Activity Based Costing Analysis (ABC) as an inventory management system since 2010. According to Ravinder, H (2014), this inventory management system states that the products are classified into 3 phases that is class A, B and C according to dollar value acquired. Class A is for the products with a high value and that are very crucial to the environment it carries about 50 to 100% of stock keeping unit (SKU). Class B is for the products with a middle value of about 20% to 50% of SKU whilst class C contains only 0 to 20%. This method has not been yielding the expected results as it is leading to overstocking, increase in stock holding costs, increase in order costs as well as making it difficult to monitor the actual stock levels. It is difficult to classify the class of the newly introduced products. This study also looked at other inventory management systems in trying to find the best inventory management strategy that can bring effective efficiency.

## 1.3 Statement of the problem

Freda has been facing many challenges with the ABC inventory management strategy. It is causing poor inventory management processes, order costs, unanticipated shortages and increasing holding costs resulting from overstocking. Profits and production levels seem to be negatively affected by this inventory management system. There is need to identify the cost measures that associate with effective inventory management so as to exploit efficiency. Effective and efficient inventory management methods assists with information to proficiently control the movement of resources, effective use of people and equipment, organize internal activities and connect with suppliers. This study is aiming to investigate on the impact of inventory management strategy on the overall performance of FRGM.

## 1.4 Research objectives

* To identify the importance of inventory management to FRGM.
* To identify the various inventory management challenges currently faced by FRGM.
* To determine the relationship that exists between inventory management and the overall performance of FRGM.

## 1.5 Research questions

* How important is inventory management to FRGM?
* What are the inventory management challenges that are being faced by FRGM?
* Is there a relationship between inventory management and the organizational performance of FRGM?

## 1.6 Significance of the study research

This study or research will benefit the following groups,

* **Freda Rebecca Gold Mine**

This is going to assist the organization to specifically understand the impact of inventory management strategies on the performance of the organization. This will help them in making future decisions as well as in implementing new strategies.

* **To Bindura University of Science Education (BUSE)**

The research can also be beneficial to BUSE as this copy will be used for future references by other students to supplement current limited literature on the employee`s view of the impact of inventory management strategies on the performance of Freda Rebecca Gold Mine. The research is set to benefit a various people from different groups such the ones highlighted below,

* **To the Student**

The researcher will also gain experience and knowledge through detailed research, so it serves as a basis for future tasks.

* **Other firms in the mining industry**

The research can enable useful inventory management policies to be used to improve organizational performance and improve competitiveness. This will also assist other organizations in decision making by highlighting the key issues that affect an individual company and its results. Inventory management is necessary for every company that keeps much inventory. Companies need to have stocks, but with adequate quantities to avoid shortages.

* **Other researchers**

Future researchers will greatly benefit from their study, especially those who find more interest in the same topic.

## 1.7 Delimitations of the study

The researcher will be focusing on the year 2018 up to 2022.

## 1.8 Limitations of the study

The limitations of the study are that some of the questionnaires may not be returned back to the researcher. In order to reduce this, the researcher will have to send reminders to the respondents. Some of the information highlighted on the questionnaires might be confidential such that respondents will not answer therefore the researcher will attach a cover letter assuring the privacy and confidentiality that their names will not be disclosed to the public.

## 1.9 Assumptions

* All sectors specifically macro-environmental factors remain static during the legitimacy time of the research study.
* The information gathered is valid and precise in order for the researcher to draw accurate, truthful conclusions and recommendations; and
* Respondents co-operate and respond honestly in completing questionnaires by not giving biased information.

## 1.10 Definition of Key Terms

To enhance clear understanding and clarity, the terminology listed below has to be defined.

### **1.10.1 Supply chain management (SCM)**:

Supply chain management is the integration of key business processes of trading partners from the initial extraction of raw materials to the final or end consumer, including all intermediate processing, transportation and storage, as well as the final sale to the end customer of the product (Hugos 2018)

### 1.10.2 Inventory or supplies:

According to Vrat, P (2014) defines inventory as idle stocks of tangible goods that contain economic value and are held in various forms by an organization in storage pending packaging, processing, transformation, use or sale in the future.

### 1.10.3 Inventory management:

According to Vrat, P (2014), inventory management refers to all activities related to the development and management of stock levels of raw materials, semi-finished goods and finished goods in order to ensure the availability of necessary stocks and low costs of over or under stocks.

### 1.10.4 Performance:

According to Verboncu & Zalman (2005), productivity is defined as a specific result obtained in management, economics, marketing, etc., which prints characteristics of the competitiveness, efficiency and effectiveness of an organization and its procedural and structural components.

### 1.10.5 Strategy:

Strategy is the long-term direction and scope of an organization that provides benefits to the organization by configuring resources in a complex environment to meet the needs of markets and meet stakeholder expectations (Johnson and Scholes; 2020).

### 1.10.6 Small and Medium Enterprise:

The Ministry of Small and Medium Enterprise Development (MSMED) defines SMEs by the number of employees, total assets and legal structure (Republic of Zimbabwe, 2002). According to MSMED, the number of employees, asset base and legal structure must be met in order for an enterprise to be classified as an SME.

### 1.10.7 Enterprise Resource Planning (ERP)

A software that organizations use to manage day to day operations. It is a form of inventory management system.

### 1.10.8 Freda Rebecca Gold Mine (FRGM)

This is the organization that is under study and it is located in Bindura along Harare to Bindura Road. It mainly focuses on the extraction of gold and it is a privately owned organization.

## Summary

Five interconnected chapters that go logically together make up the research. The first chapter focuses much on the problem analysis; it also covers the importance of the study. Topics that include research background, problem statement, objectives and research questions are also covered in the same chapter. Additionally, it emphasizes the study’s presumptions, delimitations and limitations. Definition of terms and abbreviations will be highlighted. Chapter two examines both theoretical and empirical studies related to inventory management in the mining sector. Chapter three develops the research by finding suitable methodologies and analyzing or investigating the research problem. Presentation analysis, interpretation and discussion of the results will be covered in chapter four. Lastly, the fifth chapter will include the summary of the research findings and providing conclusions and recommendations of the study.

# CHAPTER II

**LETIRETURE REVIEW**

## 2.0 Introduction

This chapter examines the relevant literature review and theoretical review in order to give understanding into inventory management systems used in an organization.

## 2.1 Theoretical literature

### 2.1.1 Lean Theory

Čiarnienė (2015), proposed that inventory management represents the crucial part of the supply chain. Despite the fact that it could be a product or a service supply chain, this theory is only an addition of just-in-time concepts. This theory explains how manufacturers can produce orders with more sovereignty, ensuring availability of inventory, and without paying carrying costs for inventory.

This theory is a method for change in any organization which is applied with the aim of accumulating profits. This lean theory was established in Japan by someone named Taiichi Ohno who is from Toyota Production System. Restrictions enforced on the Japanese manufacturing industries after the second world war lead Taiichi Ohno to introduce a new production system that was different and efficient in terms of resource usage, than mass production which was introduced early (Saurin 2013). The lean theory emphasizes on using part of the effort, space, inventory, as well as product development time on that of mass production. It is also associated with less faults, and ensures a variety of products. The scholars knew that these developments are likely to result in an increase in the number of sales. Increasing profits through efficient resource utilization is the main aim of this theory (Rattner, 2006).

Inventory management has a vital role in aligning supply as well as demand within all partners found in the whole supply chain, and ensuring flexibility in managing external and internal operations of modernized global business environment. Poor management of inventory continues to be the main challenge encountered by industries found in countries that are still developing and that even minor inventory management concepts and methods are not useful to the majority of the businesses studied (Wangari, 2018). The three main principles of this theory are delivering value as defined by the consumer, eliminating waste and to ensure continuous improvement. Since most organizations rely on imported industrial raw materials and parts, and the widespread bureaucratic delays together with communication problems faced in developing countries, order lead times cannot be computed with any degree of accuracy (Chen, Frank, & Wu, 2007).

The criticism of the theory is that there is lack of customization since it specializes in standardizing processes so it might not accommodate customization as well as variation. The theory is also time and resource intensive. More time and funds will be required for training programs and to invest in modern technology.

### 2.1.2 Contingency Theory

This is a theory which believes that there is no special way to manage a corporation, to lead a company, or to make decisions. This theory was formed around 1950, was discovered by people from Ohio State University, as they have administered huge number of questionnaires measuring a variety of possible behaviors of leaders in different organizations. This theory was later established by Fred Fiedler in explaining the contingency model.

Jesmin (2012) went on to describe the key ideas covering this theory as follows, organizations are open systems that require cautious supervision to satisfy and balance internal needs and to adapt to environmental circumstances. The theory emphasizes that there is no one best way of organizing. A suitable form depends on the type of task or environment that you might be operating in. The management should be focusing on attaining alignments and best fits, there must be many types or classes of organizations are required in a variety of environments.

This theory believes that the best practices depends on the eventualities of a situation (Wangari, 2015). When looking at Wangari’s hypothesis of relationship, inventory control practices are causing changes in the competitiveness of various firms. The spirit behind organizational competitiveness is to create value in every business. Value is achieved through both financial and non-financial goals and objectives (Ketchen & Hult, 2007).

Every firm have different circumstances which makes the operational performance measurement to become situational. Inventory control system has played a major role in operational performance of the organization and it focuses on financial as well as non-financial benefits, efficiency shown on procedures and effectiveness of procuring methods. Wangari (2015) had a different opinion from this theory stating that the quantity of stock kept by the organization could however, be an indicator to the effectiveness of inventory control methods.

In the stores department, the importance of managing inventory consist of determining the current and future necessities for every type of inventory to eliminate overstocking and evading “bottleneck” in the production process and all at once considering safety, security of supplies, the prevention of deterioration, waste, theft and obsolescence. Movement of such inventory through every phase of the supply chain is so vital.

### 2.1.3 Theory of Constraints

Mabin (2020) emphasized that the theory is concerned by identifying the most important restrictive or limiting factor that could be depriving the organization from achieving its main goals. It also emphasizes that the organization should identify such a limiting factor and try to work on it until it is no longer a constraint. Usually, these constraints are referred to as bottlenecks. Manufacturing, logistics, supply chain, distribution, project management, accounting, research and development, sales and marketing, and other fields may all benefit from such a theory. The study by (Coman, 2007) addresses the issue of business model (BM) management and its relationship to the theory of constraints. It further suggests that organizations should focus on understanding their own structure in terms of processes to survive in a global competition. There is what is referred to as strategic constraints management, which focuses on increasing throughput and minimizing internal constraints.

Since the TOC first put by (Goldratt 1984), he brought influence to many managers through his books. It provides the TOC evolution literature by its five era which are the optimized product technology era, the goal era, the haystack era, the syndrome era and the critical chain era. Every company's primary purpose is to increase profits. Companies will have a system of continuous improvement management if they can handle and control the limits in their system, allowing them to earn better profits.

### 2.1.4 The concept of Inventory Management

As mentioned by Grob (2019), he referred inventory as the process of ordering, storing, using and selling a company’s inventory. This might also involve the management of things like raw materials, components, finished products and also warehousing and processing of such elements. He also emphasized that inventory management is the entire process of managing inventories from raw materials to finished goods. The main purpose of inventory management is to avoid shortages. The shortage is regarded as extremely detrimental. A large inventory carries the risk of spoilage, theft, damage or shifts in demand. The inventory to some extent is supposed to be insured or to be sold at lower price for easy clearance.

In the past 10 years, management has given much attention on one component of logistics. As mentioned by Gourdin the executive suddenly realizes that ownership of too much shares is expensive. As a result, considerable effort has been made to get rid of excess stock without compromising customer service. However, there are most circumstances in which stock conservation is necessary especially when meeting the needs and wants of consumers in another countries. The main goal of the leadership is to maintain only what is necessary on consumer demand so as to prove customer loyalty (Gourdin 2001:82).

To most organizations, inventories makes the highest category of assets revealed on the balance sheet surpassed only by physical services and equipment (Armstrong, 1985). Jessop (2009) emphasized that management of inventory focuses mostly on maintaining minimum stock levels of certain items and also ensuring cost reduction with other important targets and goals set by the managers. Inventory is the amount of goods that is kept for other purpose or use. As a result, inventory control, at balancing inventory needs and necessities with the aim to lower costs that are a result of procuring and holding inventory (Eneje, Nweze and Udeh, 2012). Eneje, Nweze & Udeh (2012) describe the management of inventory as the activities included in conveying raw materials and supplies to where production is held and moving in process inventory through the firm.

Inventory management, according to Wild (2017), is the process of making commodities available to buyers through ordering, storing and selling a company inventory. The items may include ongoing sales, new items, consumables, replacement parts, obsolete goods, and all other consumables. Inventory enables a company ensure customer service, transportation, or manufacturing activities when the acquisition or manufacture of commodities fails to meet demand. A delayed procurement or production process, or an inability to supply volumes without inventories, might lead to dissatisfaction.

Inventory is one aspect of logistics that has garnered a lot of management attention over the last decade," according to Gourdin. Suddenly, executives understand that having too many shares is too expensive. As a result, much effort has been expended in removing surplus inventory without jeopardizing customer service. However, there are a variety of situations in which stock conservation is required, particularly when addressing the demands of overseas consumers. Leadership's objective should be to keep just what is required to satisfy and manage customer needs" (Gourdin 2001: 82).

Both commercial and non-profit organizations have inventory management issues. Inventory is kept by agriculture, growers, wholesalers, dealers, hospitals, churches, jails, zoos, colleges, and national, state, and municipal governments. In reality, supplies are crucial to the family when it comes to clothes, medications, food, and other stuff. This highlights the importance of inventory and how it need a great deal of attention in order to accomplish corporate goals.

### 2.1.5 Importance of inventory

Inventory is mostly seen as a safety element because it acts as a lubricant between many components in the supply chain, ensuring that everything runs easily. Stocks have recently started to be noticed as a burden in many organizations. Inventory is regarded as a valuable business asset. Most businesses if not all they count their inventory so that they are able to know the value contained by their inventory. Through this that is when they can tell if the business is progressing or not. according to Coyle, Bardi, and Langley (2003), and it has become more essential as a strategy for many organizations to lower their investment in fixed assets including such factories, warehouses, office buildings, and equipment.

#### 2.1.5.1 Cost reduction

It is believed that an effective inventory management can assist in minimizing costs as explained by Civelek (2017). This is achieved by maintaining the stock levels and this will help them to prevent the additional expenditures which might be as a result of frequent ordering. There are also many consequences that are related to shortages of inventory such as loss of customer loyalty and loss of sales and these may lead to serious repercussions. For the business to be profitable it has to be able to manage and control its costs. Organizations aims to ensure that there is enough goods or materials to meet demand without creating excess inventory. Low levels of inventory could cause a reduction in customer order fulfillment and revenue. According to Rachmat (2020) there are four categories of costs associated with inventory. These comprise of procuring costs, acquisition costs, carrying costs and shortage costs.

#### 2.1.5.2 Customer Service

A brief lost sale is a revenue opportunity that might or might not have a long-term effect on your business. However, there is a chance that customers will hunt for alternative solutions to meet their needs. Once this occurs, there is a probability that your customers will shift to doing business with your rivals again. In trying to convince the customers to remain loyal the organization will have to strengthen their customer service as well as their customer care. The customers have to be treated as the king according to Lysons and Farrington (2006). The organizations invest less energy in maintaining existing client relationship compared to the newly established ones.

#### 2.1.5.3 Organizational Performance

This concept is regarded as one of the most significant concepts in management study. Organizational performance, temporarily, has never been properly well-defined and has various meanings depending on the context, and is also hard to describe and measure (Erbisch, 2004 in Norashikin, Omar and Husseini, (2013). The mostly known definition of organizational performance is by Stankard (2002), he defined it as the product of interactions on different parts or elements in the organization. Shahzad (2012) opined that m organizational performance refers to the outcomes of various organizational processes which occur in the course of its daily operations. Shahzad also proposed that organizational performance is represented by various dimensions such profitability, growth, sales turnover. Organizational performance is mostly defined as the dependent variable and it then seeks to identify variables that produce variations in performance.

#### 2.1.5.4 Organizational growth

This is mostly proven by the trends of an organization according to Lester (2003). The life cycle of the organization can determine the growth of the organization. According to Lester (2003) the stages of growth in an organization can be compared to the lifecycle of the living organisms. Researchers have noticed that there is an existing positive correlation among inventory management and growth of an organization (Elsayed and Wahba, 2016; Anichebe, 2013). According to Elsayed and Wahba (2016) they have discovered that the inventory to sales ration can affect growth negatively in the early stages but once it gets to the revival stage it will tend to have a positive effect. According to Anichebe (2013) a well-managed inventory system can yield the best results in terms of the growth of an organization.

#### 2.1.5.5 Profitability

This is simply the ability of an organization to attain profit. When there is efficiency, it becomes easy to become profitable. Profit is equal to revenue minus expenditure, so this is what he meant by profit (Achim 2010). If the inventory is well managed that means there is no more breakages, shortages, and theft will be minimized. That is what makes the organization to become efficient. Successfully improve inventory using a clean supply chain process and systems to accomplish high levels of asset usefulness and customer satisfaction leading an improved organizational growth, profitability and market share (Green & Inman, 2005).

#### 2.1.5.6 **Efficient production**

When most organizations are set to begin their operations, they will start by incurring very high costs and these will result from startup capital. However, as production continues, the cost will drop and the firm will be operating at the lowest cost point of the cost curve (Biel 2016). The shortage of raw materials and inventory may also affect production results and might also have major effect for production deadlines and budgets. Wasted time, manufacturing bottlenecks, as well as unmet production deadlines are examples of these consequences.

Scarce resources which are necessary for proper production might have drastic consequences for scheduling and budgeting (Green & Inman, 2005). It will cost the company wasted time, creation bottlenecks, and the inability to meet production deadlines. If a factory has to satisfy orders and production deadlines, it might have to invest the extra funds to send merchandise by the fastest mode by air of transport such as. Customers may be colonized by the rivals if the current organization fails to satisfy the consumer requests.

### 2.1.6 Inventory management challenges faced by FRGM

The current business environment is becoming more dynamic and understandable and no one can tell what is exactly taking place, as well as with their competitors, this is all because of weak governance and weak communication methods (Maseko and Manyani, 2011). Several studies from different scholars have recognized some of the issues that large enterprises face, some of the challenges includes:

#### 2.1.6.1 Managing warehouse space

This is the most or the biggest challenge that can ever be faced when trying to manage inventory. It is usually required to monitor the stock levels so that when new stock is received it will not be difficult to arrange it. A professional organization is expected to begin with assessing a warehouse floor design and to check if it can meet the safety requirements (Suvittawat 2016). This has to be the first priority especially when dealing with high volumes of goods, different sizes, as well as additional equipment. Wasted time, damaged materials, and other difficulties will cost the firm much money if the warehouse is disorganized. There are costs that are associated with inventory and these will accumulate as long space is not well managed,

#### 2.1.6.2 Inefficient processes

It has been seen that when there is a small volume of goods, they can be easy to manage and that may cause the organization to be so efficient in its operations. Nevertheless, as sales volume and inventory increase, inefficiency, labor-intensive, and the operating procedures can become very low even in terms of production technology standards. When technology driven products are very low there is a possibility that the organization will suffer the most because the world of business is becoming more competitive and so modernized.

#### 2.1.6.3 Lack of expertise

According to (Harish 2014) it might be difficult to find inventory managers with much experience and that has a better knowledge technologically. It might not be enough to upgrade only the inventory management software because the world is changing continuously so there is need to have the best strategies that can suit such an environment. There is usually lack of such experts that can manage inventory to such extents but when they are present in an organization that organization will have a greater competitive advantage.

### 2.1.7 The relationship between inventory management and organizational performance.

The researchers shown on the empirical literature proves that there is a positive relationship between inventory management and organizational performance. For organizations to be efficient they have to practice proper inventory management. Researchers have noticed that there is an existing positive correlation among inventory management and organizational growth (Elsayed and Wahba, 2016; Anichebe, 2013). When there are inventory bottlenecks that means, the organization is exposed to making losses and inefficient operations. According to Gunasekaran, Patel, & Tirtiroglu, (2001) states that due to inventory’s economic value, capital productivity is upgraded when the level of inventory is efficiently managed as inventories are vacant resources of an organization.

## 2.2 Empirical Literature Review

### 2.2.1 Analyzing the impact of inventory management practices on organizational performance of departmental stores in South-East, Nigeria, Orga, Christopher Chukwudi, 2017.

This study focuses much on inventory management and its effect to the organizational performance. The study focused on the following objectives, Determine the impact of efficient inventory management methods on organizational growth of stores department in South East Nigeria. Also, examining the effect of efficient ways of managing inventory practices on profitability of the stores department. Lastly, to recognize the impact of effective inventory management practices related to sales turnover in the stores department being studied.

The population under study comprised of accountants, management and stock controllers. He used the questionnaire to obtain data for the study. The researcher concluded that there is a positive relationship between inventory management and organizational performance. He discovered that efficient inventory management can positively affect organizational profitability, sales turnover as well as growth.

### 2.2.2 Impact of Inventory Management and Productivity of Private Organizations in Uganda. An example of the Mbarara Coca-Cola plant in Mbarara municipality. Mugarura K, 2013.

The overall goal of this study was to look into the impact of inventory management on private organization productivity in Uganda. The study focused on three objectives: to determine the inventory management methods used by the Coca-Cola Mbarara branch, to examine the relationship between inventory management and the performance of the Coca-Cola Company branch in Mbarara, and to determine the problems that the Coca-Cola branch in Mbarara stocks faces. A questionnaire and interview guide were used to gather data, and data was obtained using a targeted sampling method. Both qualitative and quantitative methodologies were used to analyze the data, as the sample size only constituted of 50 respondents.

The findings from the research were that proper material handling techniques performs an essential part in the efficiency of private companies like the Coca-Cola Company in Mbarara, and there is a favorable association between inventory management methods and the performance of private companies in Uganda.

### 2.2.3 Trend in Working Capital Management and its Impact on Firms using 58 small manufacturing firms in Mauritius from 1998 to 2003. Padachi, 2006.

The outcome from this research proved that high investment on inventories may lead to lower profitability. Major variables applied in this study were inventory days, days of accounts receivable, accounts payable days and cash conversion cycle. Another study by Elsayed and Wahba (2016) which is on ‘reexamining the relationship between inventory management and firm performance: An organizational life cycle perspective’. The study was drawn from the lists of the most active organizations operating on the Egyptian Stock Exchange published by the Egyptian stock market authority. The researcher used an interview guide and a questionnaire to gather data. The sample involved firms which constitute about 45 percent of the total market capitalization. There was a list that was published from 2005 to 2010 and they were examined exclusive of firms from financial industries. The essential data existed for 84 firms from eighteen industrial sectors the entire number of 504 observations. The findings of the study prove that while inventory to sales ratio affects organizational performance negatively in the initial growth stage and the maturity stage, it exerts a positively on organizations’ performance in either the rapid growth stage or the revival stage.

### 2.2.4 Impact of proper inventory management on organizational performance in Emenite, Hardis & Dromedas and the Nigeria Bottling Company all in Enugu, Enugu State. Anichebe, 2013.

This was a descriptive study method, and it was designed as a survey and case study. The population of the study was 658. The sample size did not exceed 248 people. It was derived using the Taro Yamene formula. Questionnaires with open ended and closed ended questions ware used for data collection. The outcomes prove 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 researcher concluded that inventory management is very vital to the success and growth of organizations.

### 2.2.5 Assess the role of strategic inventory management on performance of manufacturing firms in Kenya. Kairu, 2015.

The study focused on a population sample of 51 respondents and stratified sampling technique was used. Structured questionnaire with 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 with the aid of Statistical Package for Social Science (SPSS) version 20. Analysis of variance (ANOVA), correlation and regression analysis were also applied. The outcome revealed that manufacturing firms face myriad of challenges including inefficient 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 leads to reduced sales turnover. From the finding the researcher concluded that there is a positive relationship between strategic inventory management and organizational performance.

### 2.2.6 The role of inventory management on customer satisfaction among the manufacturing firms in Kenya. Thogori & Gathenya, 2014.

This study was undertaken at Delmonte Kenya, the company has a strong supply chain inventory information distribution structure which is connected to the customers in actual time to strengthen the management of inventory. The sample study was done on all the 50 employees at Delmonte Kenya who were members of the supply chain management activities. The researcher made use of questionnaires as well as interview guide to obtain information from the target group. The results indicated that all the respondents totally agreed that the company encountered shortages in inventory. They therefore concluded that manufacturing firms had poor inventory management systems and that had greatly impacted on their ability to acquire the expected organizational performance.

### 2.2.7 The impact of inventory management on organizational performance of a cable manufacturing company in Zimbabwe. Edelbert Moyo, 2022.

The study f0cused 0n the impact 0f invent0ry management strategies 0n the perf0rmance of CAFCA. A sample of 40 people was selected from the target population. The study used both closed and open questions to collect data. The study looked at various systems such as Activity Based Cost Analysis (ABC), Economic Order Quantity (EOQ), and Enterprise Resource Planning (ERP), Just-In-Time (JIT), Managed Inventory (VMI) and Material Requirements Planning (MRP). According to the findings, the main strategy used by CAFCA for inventory management was EOQ. The results from the research indicated that there is a positive relationship between inventory management and organizational performance. The researcher concluded that CAFCA can use EOQ as their inventory management strategy as it will help in minimizing inventory holding costs. It was also discovered that computerized inventory systems such as ERP systems were too expensive to implement.

### 2.2.8 Inventory Management Practices and Organizational Effectiveness. Example: local government of the Ibandin region. Twinamatsiko, G (2015).

The study focused mostly on inventory management and organizational efficiency in the Ibandin region's self-government. The study used a descriptive survey method, with 100 respondents taken from the department of stores, purchasing, senior management, and other areas of the study area using a simple random sample. The information was collected through closed questionnaires, and the outcome proved that the Ibandin region's local government has reserves that are used to meet the region's current and future needs. As a result, from the study, inventory management improves efficiency and effectiveness by reducing overstocking and understocking. It also assists in determining the inventory balance and identifying any discrepancies, as well as performing reconciliation to ensure that the physical inventory matches the records. The researcher concluded that there is a positive relationship between inventory management practices and organizational effectiveness.

### 2.2.9 The effect of inventory control systems on organizational performance in the mining sector of Zimbabwe. Zimbabwe, Dumisani & Casper, 2022.

The aim of this study was to determine the effect of inventory control systems on organizational performance in the mining sector of Zimbabwe. A quantitative survey approach was used and a sample of 203 mining companies was used for data analysis. A questionnaire with structured questions was used. Structural Equation Modelling (SEM) was run in Analysis for Moment Structures (AMOS) version 22 to test the formulated hypotheses. The findings of the study were that, inventory control systems have both positive direct and indirect effect on organizational performance. The study concluded that, inventory control systems have a positive effect on organizational performance in the mining sector of Zimbabwe. The study recommended mining companies in Zimbabwe to implement modern computerized inventory control systems for effective inventory management in order to enhance organizational performance. Based on the findings of the study, it can be concluded that inventory control systems have direct and indirect positive effect on organizational performance in mining companies.

### 2.2.10 Critique of a study on results, methodology and sample population.

Results from most studies concluded that there is a positive relationship between inventory management and organizational performance. All researchers concluded that a poor organizational performance was a result of poor inventory management but this could however, be debatable since there many factors that could have triggered that. These researches have focused on manufacturing sector with few researches focusing on departmental stores. Different research tools were applied but bringing the same results. The sample population used varied with the size of the organization and also on the number who focused on what was being studied on. Some researchers used a questionnaire to acquire information from the respondents but this has the disadvantage that biased information can be given as people will want to be assured of confidentiality.

## 2.3 Gap analysis

There is not enough research tin Zimbabwe ton the impact of inventory management on organizational performance. Most of the empirical studies reviewed were carried tout tin developed countries where there is a different economy from the one under study. The results from such empirical studies cannot be generalized to Zimbabwe due to significant geographical and economic development differences between the countries. There are several studies ton impact of inventory management going on around the world. Considering these studies conducted by different researchers, there is no specific study that focused on the impact of inventory management on organizational performance tin Zimbabwe and in the mining industry. This has pushed the researcher to bridge gap so as to have a specific research and findings ton this matter.

# CHAPTER III

# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter shows how the study was undertaken, as well as indicating how the researcher managed to collect the data, the study design, and the reasons behind the researcher's choice of methodology. The population size, data gathering techniques, data processing procedures, and sample strategies employed are discussed in this chapter.

## 3.2 Research design

In this study the researcher is going to use descriptive research design. This is done to identify and describe the characteristics of the variable in the scenario. To some extent, this research overview explains Freda's inventory management and organizational performance (Akhtar 2016). This research design allows the researcher to analyze the collected data and to develop a better understanding of the topic under study. It also helps to understand the behavior of people that are being dealt with. The disadvantage of this design is that the respondents may not may give biased information and can also provide responses that are aligned with their personal interests.

### 3.2.1 Descriptive tresearch tdesign

This descriptive tresearch tis ta tmethod tthat tenables tthe tresearcher tto tcollect tinformation tdirectly tfrom tpeople ton tdifferent taspects tof tbehavior, tbeliefs, tthinking tand tcharacter. It opened up the patterns that might otherwise be hidden in raw data, it ensured the researcher to locate areas in which the organization is performing well and where there is need to improve. Descriptive tresearch tdesign described the tdata tand tcharacteristics tof ta tpopulation tbeing tstudied (Akhtar 2016). The researcher tsettled tfor tthis tmethod tsince tnot tall tthe tphenomena twere tgoing tto tbe taccessible tto this tdirect tobservation twith treliance ton tthird tparties.

The researcher favored this type method because tit tenabled him tto tuse twords tto tbring tabout tthe toutstanding tcharacteristics tof ta tparticular tphenomenon. It also allowed the collection of data on a larger scale. This type of research design makes it easier to analyze and interpret data. Surveys tcan talso tbe tused tfor tstudies twhich tare tdescriptive tand texploratory tin tnature, (Saunders, t2016).

## 3.3 Population and sample

### 3.3.1 Target Population

The research targeted a few departments that participate in the movement of inventory at FRGM. These departments included stores, finance and production. The target population consisted of 80 people only. These were the people that came from the mentioned departments and they had much information concerning the research. There are 36 employees from the department of production, 24 employees from stores department and lastly 20 employees from the finance department. This number constituted only the permanent employees and not the contractors.

### 3.3.2 Sampling technique

Since it can be too expensive and time-consuming to test or consult each person in the entire population. The researcher knew that it was impractical to deal with the whole population. In this study the writer used 50% of the target population. A small number of people was selected at random and it was a mixture of those at the management level and those from a lower level they were to represent the entire population. 50% of the target population was selected because it is a manageable number in terms of gathering data and it is likely to bring better and reliable results.

= 80\*50%

= 40

The above means that 40 people were selected at random as a sampling technique from the target population.

## 3.3.3 Sampling procedure

The researcher employed probability sampling techniques. Primary sources were utilized for data collection, the questionnaires were distributed to the selected group of employees and a simple random sampling method was used, whereby each participant had the same opportunity of being chosen or selected. The respondents were just picked at random and every employee had the equal chance of being selected. This was accomplished through the use of a focused sample, in which the researcher chose respondents from the stores and finance department assuming that they have better knowledge on the research problem.

## 3.4 Research tools

The researcher used the questionnaire as research tools in collecting data.

### 3.4.1 Questionnaires

The researcher acquired information from several respondents in different departments using standardized questionnaires. The researcher employs both closed and open questionnaires to obtain data. The study questionnaires were constructed to match the research aims, and the questionnaires were utilized in data collection since they are organized clearly and the information gathered from them can be simply tabulated. The researcher opted to utilize questionnaires because they are more accessible, less expensive, and more convenient, and respondents may complete them at a time that is suitable for them. Since the researcher was not present, the respondents had to react honestly to the questions and without fear of being judged.

## 3.5 Procedures for Data collection

The researcher used primary and secondary sources to collect the data. The collected information was meaningful and efficient.

### 3.5.1 Primary Data

According to Mwamadzingo (2011), he emphasized that primary data can be information invented by the investigator for use in a study or investigation taking place. It was easier for the researcher to acquire primary data by using questionnaires which were sent out to different individuals from stores, procurement, finance and other departments as they had better knowledge on the effect of inventory management on the performance of the organization. Respondents were given the opportunity to provide additional information but only which is relevant.

## 3.6 Data collection procedures

The researcher created questionnaires and distributed them to randomly chosen respondents. All of the surveys were distributed physically to all the selected respondents. The respondents were given three days to complete the questionnaires by the researcher. Frequent follow ups were made to ensure that there is better response rate.

### 3.6.1 Data analysis and submission procedures

The descriptive and logical statistics methods were used in this research. The Statistical Package for the Social Sciences (SPSS) computer program was used for data analysis. Tables, pie charts, and graphs was used to demonstrate the study's results for a number of factors. It also was able to interpret all the data that was gathered. Following descriptive analysis, descriptive statistics such as mode, mean, and median was used to reflect the various properties of datasets.

### 3.6.2 Validity and reliability

The identities were not exposed for the sake of the questionnaire's dependability, confirming a high level of confidentiality. The gathered information was kept private and was uniquely utilized for academic reasons. The instruments that were employed was reliable since the acquired data came from all levels of government. When the survey was done with, the researcher delivered them to an independent personal assessor to show the research tools' authenticity, correctness, and reliability (Hamann 2013). The main aim to this exercise was to check whether there were any questions that would make it difficult to grasp what the research was attempt to describe. Changes in this activity were made to reinforce the research questions. In trying to avoid the problems associated with typical surveys, the researcher assessed the questions on a small sample of the target population.

### 3.6.3 Ethical considerations

It included only those who agreed to take part, and they were not exposed to any discrimination or abuse but their information was however, treated as confidential. The researcher did not make use of the data or opinions from those who did not authorize him to do so. The researcher requested permission from the respondents to do the observation before starting a survey.

Lastly, the researcher was dedicated to present the study's results and conclusions in a way that was truthful and objective. In order to keep their information as private, the names of company owners were not mentioned anywhere in the report.

## 3.7 Chapter Summary

Methods used to collect data in this research were highlighted in this chapter. Identifying how significant the research was, the researcher used a qualitative and quantitative research method. The questionnaires were used as a way for the data collection since they gave an in-depth review of Freda's initiatives. These techniques were used to achieve dependability and credibility from the collected data. The research was based on thematic analysis since it is the most common form of analysis under qualitative research. Making it easy to analyze and interpret the meaning of data.

# CHAPTER 4

**PRESENTATION OF RESULTS, ANALYSIS AND DISCUSSION**

## 4.1 Introduction

This chapter points at research results, analysis and discussions which underlie each of the research questions contained in the questionnaire. It is presented in two sections; the first section looks at the demographic information of the respondents. The second section looked at impact of inventory management on organizational performance. To avoid bias, the survey results were presented in the form in which they were received from the respondents. The data was illustrated in the form of pie charts, graphs and tables. Data presentation makes the information collected through research easier to interpret.

## 4.2 Questionnaire Response rate

Questionnaires were issued to the respondents and the response rate is represented below.

Table 4.1 questionnaire response rate

|  |  |  |  |
| --- | --- | --- | --- |
| **Respondents** | **Questionnaires Distributed** | **Actual response** | **Response rate (%)** |
| Stores employees | 12 | 12 | 100% |
| Production employees | 18 | 16 | 89% |
| Finance employees | 10 | 9 | 90% |
| Total | 40 | 37 | 92.5% |

**Source: IBM SPSS v22. Primary Data 2022.**

The response rate constituted of 92.5% which proves that the respondents were cooperating. There was also about 7.5% of the respondents who did not respond to the distributed questionnaires. With such a response rate it becomes easier to acquire adequate and reliable results. This level of response rate was made easier by the follow ups that was made frequently and the language on the questionnaire was so clear to the respondents. Baruch (2008) also supported that when the response rate is above 50%, the findings can be used to represent the whole population. In this study a sample of population was 40 and only 3 people failed to respond to the distributed questionnaire.

## 4.3 Demographic characteristics of respondents

This is information such as age, gender and level of education and they are all reported as follows.

### 4.3.1 Gender distribution

Figure 4.1 Gender of respondents

**Source: IBM SPSS v22. Primary Data 2022.**

The sex ratio in Zimbabwe is 52:48 and this implies that there are more men than women. In terms of percentage from the sample population 81 % represents men and 19% representing women. This is a clear indication that there is gender discrimination in the mining industry. This is so because there are assumptions that men are more active that women so employers prefer men than women. Only a few women can be employed to work in light areas where there is no lifting of heavy equipment. Women are represented by a small percentage but it’s a clear indication that Freda is a sustainable company that values women empowerment.

### 4.3.2 Age of the respondents

Figure 4.2 Age groups of respondents

**Source: IBM SPSS v22. Primary Data 2022.**

The age groups stated above on the pie chart are a clear indication that Freda is not practicing child labor and is following the international labor organization rules. According to Thomas (2011) in the article titled framework agreements and the regulation of international labor standards, he supported the fact that child labor remains a serious offense despite the fact that it is now reducing. The chart shows that 16% of the respondents are at the age of 18 years to 25. This is because the mine is usually based on employing the experienced employees that is why there are few young people.

59% of the respondents are from the active age of 26 to 40 years. This is the age group that is more mature and active and they also take part in most activities so this will be an advantage to the researcher because they can give accurate and reliable information. There was also 25% of the people that were of the age of 41 years and above. This are usually the most experienced age that is also herding to retirement. They also have much information on the activities taking place at the mine and they are also mature to give better information.

### 4.3.3 Academic qualifications of respondents

Figure 4.3 Academic qualifications

**Source: IBM SPSS v22. Primary Data 2022.**

The graph above is indicating that most of the respondents reached the degree level and this implies that the researcher is dealing with employees that have a better reasoning capacity, who are mature in terms of literacy and that can make better analysis. Those with the degree level are represented by 48% of the sample population. Zimbabwe is now full of graduates that is why most of these degree holders are now dominating in the mining environment (Shizha 2012). Thousands of students graduate almost every year from different universities. 24% are those with diploma and they also give better and accurate information because they have a better level of literacy followed by those who reached Advanced level who constitute 22% of the population. There were only a few who reached the masters level and these were from the management level. They also gave adequate and accurate information and their responses proved that they have a better understanding with what was being researched on.

## 4.4 Descriptive statics

This chapter more on the mean and standard deviation in analyzing the data. The scale for the mean and variables from the collected data is shown below.

1 = strongly agree

2 = Agree

3 = Neutral

4 = Disagree

5 = strongly disagree

Depended on:

Mean of 1 to 1.80 refers to strongly agree

Mean of 1.81 to 2.60 refers to agree

Mean of 2.61 to 3.40 refers to neutral

Mean of 3.41 to 4.20 refers to disagree

Mean of 4.21 to 5 refers to strongly disagree

**How important is inventory management to FRGM?**

Table 4.2 Results on the importance of inventory to Freda

|  |  |  |  |
| --- | --- | --- | --- |
| **Descriptive Statistics** | | | |
|  | N | Mean | Std. Deviation |
| Reduce costs | 37 | 1.59 | .644 |
| Increasing profitability | 37 | 1.62 | .828 |
| Economies of scale | 37 | 2.03 | .726 |
| Minimize stock outs | 37 | 1.92 | .924 |
| Butter interface | 37 | 1.89 | .875 |

**Source: IBM SPSS v22. Primary Data 2022.**

The table above is showing the mean and standard deviation resulting from the responses on the importance of inventory for Freda. Mean is usually used for measuring the average of the given data whilst the standard deviation is there to measure how data will be spread out.

The above table clearly shows that reduced cost and increased profitability has the smallest mean as well as the smallest standard deviation as well. The mean for reduced cost and increased profitability is 1.59 and 1.62 whilst the standard deviation is 0.644 and 0.828 respectively. Such a result implies that the respondents were strongly agreeing that inventory management may help in reducing cost and in increasing profitability. This is also supported by Atieh (2016), who emphasized that costs are reduced using software in inventory control. Costs can be minimized through lowering storage costs, ensuring less product spoilage and better accounting. The above results were also discovered by Dumisani and Casper (2022) on his research. His research is very similar to this study as it also looked the mining industry and it also supported that inventory is important to organizational performance and that the two have a positive correlation. He concluded that there is a direct and indirect positive relationship between these two variables.

Moreover, the mean of economies of scale, reduced stock outs and buffer interface were 2.03, 1.92, 1.89 and 1.89 respectively and the standard deviation ranged from 0.726, 0.924 and 0.875 respectively and this means that the respondents were agreeing that inventory management can directly affect all those variables in a positive manner.

**What are the inventory management challenges that are being faced by FRGM?**

Table 4.3 Results of inventory management challenges faced at Freda.

|  |  |  |  |
| --- | --- | --- | --- |
| **Descriptive Statistics** | | | |
|  | N | Mean | Std. Deviation |
| Lack of expertise | 37 | 2.76 | 1.065 |
| Bad infrastructure | 37 | 2.32 | .784 |
| Inefficient Processes | 37 | 1.57 | .603 |
| Warehouse spacing | 37 | 1.51 | .507 |
| Supply chain complexity | 37 | 1.59 | .725 |

**Source: IBM SPSS v22. Primary Data 2022.**

The research proved that poor inventory management challenges can lead to various challenges as shown from the table. The respondents strongly agreed that poor inventory management may leads to warehouse spacing, inefficient processes, and supply chain complexity as these are directly related to organizational performance. This is supported by the mean of 1.51, 1.57 and 1.59 respectively. Kairu (2015), on his research he used similar objectives as used in this research and he also used similar variables which are inventory and organizational performance. His study supports the above findings that there is an existence of challenges resulting from poor inventory management. He further discovered that the relationship between these two variables has a positive correlation.

Some of the respondent agreed that poor inventory management can impact the infrastructure and this is represented by the mean of 2.32 and a standard deviation of 0,784. Lack of expertise has the mean of 2.76 and a standard deviation of 1.065 meaning that some respondents remained neutral and they were not sure if poor inventory management can lead to lack of expertise. According to Zsidisin (2015), he emphasized that the supply market environment is starting to get more complex. Some of these challenges have to do with inventory management and they were also triggered by Covid 19 which disturbed the supply chain. He went on to emphasize the fact that inefficient processes and warehouse spacing are the most challenges that any organization is likely to face especially when inventory is not well managed.

**Is there a relationship between inventory management and the organizational performance of FRGM?**

Table 4.4 Results on the relationship between inventory management and organizational performance.

|  |  |  |  |
| --- | --- | --- | --- |
| **Descriptive Statistics** | | | |
|  | N | Mean | Std. Deviation |
| Does inventory management affect organizational performance | 37 | 1.30 | .571 |
| Is there a direct relationship between inventory management strategies and organizational performance | 37 | 1.43 | .647 |

**Source: IBM SPSS v22. Primary Data 2022.**

According to the research, the respondents strongly agreed that there is a positive relationship between inventory management and organizational performance and this is proven by the mean of 1.43 and standard deviation of 0.647 which refers to strongly agree according to the scale for mean that it shown above. Christopher (2017) on his study when he was looking at the effect of inventory practices on organizational performance he discovered the same results as shown above. He concluded that there is a positive correlation between the two variables. Another research by Padachi (2006) also supported these results obtained from this research.

The respondents understood much about inventory as well as the performance of their organization and they had a better level of literacy so the researcher considered their responses to be valid and accurate. The respondents strongly agreed that inventory management can affect organizational performance positively or negatively depending on how the inventory is being managed, this was also represented by a mean of 1.30 and a standard deviation of 0.571. According to Abby Jenkins (2020), he emphasized that inventory management is vital and crucial to every organization and is regarded as the health of any organization because it ensures that there is minimum stock on hand, it minimizes stock outs as well as keeping truthful and accurate records.

## 4.5 Chapter Summary

This chapter looked mainly at data interpretation, presentation as well as data analysis. Both qualitative and quantitative data was analyzed, interpreted and prensented on this chater in form of graphs, table and pie chart. It was easy to analyze and interpret the data collected especially through the use of the SPSS. The respondents gave accurate information which is going to be useful in the next chapter. The next chapter will give conclusion, findings, recommendation and research summary.

# CHAPTER 5

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

**5.1 Introduction**

This chapter will summarize the results, draws conclusions as well as giving recommending the findings of this study. The results attained were aimed at the research objectives.

## 5.2 Summary of findings

This chapter gives summarized information on the findings of the research so that it will be easier to give conclusions.

Basing on the acquired responses, it is proven that inventory management is very crucial to the organizational performance of Freda especially in terms of profit making. A mean of 1.59 and 1.62 on reducing costs and increasing profitability respectively is a clear indication that once inventory is well managed better results can be attained. Proper management of inventory can assist the organization to minimize costs through identifying better stock keeping methods and knowing the amount of stock to keep. More than 70% of the respondents have the belief that inventory is the anchor of business continuity and profitability and this can also be supported by the findings from this study. Stock management helps to minimize shortage, and making it easy to meet the set targets and goals that are aimed at improving performance of the organization.

Most employees supported the fact that there are challenges that are faced due to poor inventory management which in turn limits the firm from improving its performance in terms of efficient processes or profitability. The most challenges identified by respondents which they were very certain of that they could affect the organizational performance are warehouse spacing, inefficient processes and supply chain complexity. The mean of these variables ranged from 1.51 to 1.59 meaning that the respondents were strongly agreeing and without doubt that poor inventory management may lead to these challenges. This means that the managers have to consider these challenges in decision making. These results are a clear indication that inventory management has a direct relationship with organizational performance.

All of the respondents or most of them, strongly agreed that there is a direct and positive relationship between two variables which are inventory management and organizational performance. This is supported by the mean of 1.30 and 1.43, according to the scale this means they have strongly agreed. These employees agreed to this because they have a better understanding on inventory and they also have much experience at Freda and that is why they strongly agreed without doubt. These employees understood that inventory can has to be well managed for as it has a positive correlation with the performance of the organization. Increasing stock can also increase costs and these can be stock holding costs and opportunity cost in the sense that the money that is kept in form of stock could be invested to other things.

## 5.3 Conclusions

This study considered the research objective and the researcher managed to get the results reported below:

### 5.3.1 Importance of inventory to Freda

The importance of inventory management to an organization can be viewed in two perspectives that is the financial side and the operational side (Baumol and Ide 1956). Inventory is crucial in the continuity of the business it can also be regarded as the backbone of the performance of every organization. A well-managed inventory system can help Freda to become more efficient. A well-managed inventory system can help in increasing profits and minimizing costs as well as efficient utilization of space.

### 5.3.2 Inventory management challenges faced by Freda

#### 5,3,2,1 Lack of expertise

Freda has less skilled staff and most of the employees that directly interact with inventory have less knowledge and expertise on how they can manage inventory especially in this era where there are new emerging ways of managing inventory without wasting much space. This was the reason why their inventory management was ineffective as well as inefficient. Most of the employees were failing to make decisions that could have brought positive changes to the organization.

#### 5.3.2.2 Inefficient processes

The warehouse at Freda is used to store high volumes of inventory. This requires experts to manage such a warehouse (Shirley 2004). There is limited space which requires expertise to efficiently utilize the limited space. The stores controller and his team ended up making poor decisions on stock arrangement. In terms of technology their system (ABC analysis) was not that efficient in managing inventory movement. Basing with the past experience it is known that companies without technology-driven productivity methods will be at a disadvantage.

#### 5.3.2.3 Managing warehouse space

It is very difficult to manage space especially when dealing with high volumes of inventory in a warehouse that has limited space (Faber 2013). If the warehouse space is poorly managed it, can it can become costly to the organization since they will not be able to keep more inventory leading to shortages which might affect customer loyalty to some extent. Freda is facing a similar situation; they have limited space for storage of inventory so they mostly fail to utilize the space leading to a situation whereby some spares are left exposed and can later be affected by rain and direct sunlight causing them to deteriorate. From the findings of this research, it is proven that the stores controllers of Freda are failing to establish policies that has to do with stock keeping.

### 5.3.3 The relationship between inventory management and organizational performance

From the research findings, it was made clear that there is a positive relationship between these two variables. A greater number of employees strongly agreed that there is a direct and indirect positive relationship between inventory management and organizational performance. The respondents emphasized that inventory is the health of an organization so these two variables can work together to achieve the same goal of improved performance for Freda. Several studies gave the same results as given on this research and most of these researches are discussed in chapter 2 on the empirical review.

## 5.4 Recommendations

As a result of this research findings, recommendations mentioned below were made to help Freda in improving in their performance.

### 5.4.1 Implementation of effective computerized system

It is very wise for an organization like Freda to use a computerized system that is very efficient. Basing with the findings from this research it could be wise for Freda to try a new system such as the Enterprise Resource System (ERP system) instead of the ABC analysis which prioritize products with high value only. This system enables the management to organize and coordinate their processes and it does not only focus on inventory but also monitors other financial and non-financial processes.

### 5.4.2 Training and Development

In accordance with research, those who are in authority for the management of inventory must continue to research on new methods that can be implemented to ensure that they operate efficiently (Aro-Gordon 2016). They also need to organize training opportunities for their employees as well as educating them on how to efficiently manage inventory so that they can become experts and can help to achieve the goal of improving its performance. This will help in acquiring new skills and developing a positive attitude in handling inventory.

### 5.4.3 Introducing effective inventory management policies

Freda has to make sure that there are set policies that are aimed at achieving the goal of improved organizational performance through inventory management (Larsen 2014). All employees that are engaged in inventory management must follow these policies and failure to obey these policies must followed by penalties and punishments. The policies must be written and communicated to the existing and new members frequently.

### 5.4.4 Reduce human error

Freda should also employ new techniques such as entering newly received stock in the system as soon as it is received and also making sure that they are recorded as they are issued as well to minimize errors and stock variances. When using a computerized system such as the ERP or even the ABC analysis the information can be captured automatically. A computerized system can make it easier to check the reorder levels and it ensures that there are fewer human errors. Human errors can also be minimized by training those that deals with inventory (Larsen 2014).

### 5.4.5 Continuous assessment

Management of Freda should ensure that there is frequent evaluation of several inventory management practices in stores department so that profitability is maintained.

## 5.5 Further Research

The researcher admits that this study did not go through all areas of inventory management on organizational performance. This research was focusing on Freda which is a large organization especially in the mining sector. Future researches may expand to include small mining companies or SMEs across Zimbabwe and looking at how they are using inventory management as their survival skill in such a dynamic and competitive environment. The researches can also identify modern environmental strategies can applies in the mining environment since this study did highlight these strategies in depth.

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**APPENDIX I: QUESTIONNAIRE**

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**



**FACULTY OF COMMERCE**

**Economics Department**

**Application form**

My name is Isaac Joseph Kaposa and I am a student at Bindura University of Science Education and currently studying for a Bachelor of Commerce Honours Degree in Purchasing and Supply. I am conducting a study titled "**The Impact of Inventory Management Strategies on the Organizational Performance at Freda Rebecca Gold Mine.**" Therefore, the researcher used this questionnaire to find the best inventory management strategy used by Freda.

We hope for your support in completing the attached questionnaire. All your replies will be treated confidentially and the results will only be used for this research. We do value your cooperation.

**Student Name: Isaac Kaposa Supervisor: Mr S Mandaza**

**Signature …………………. Signature …………………..**

**Date ……………………… .. Date ……………………… ...**

**Instructions for the respondent**

1. Kindly respond to the following questions by putting a tick in the appropriate box on each next question.
2. More than one tick will be allowed when responding to some of the questions.
3. Kindly feel comfortable to give more information or a detailed explanation of your answer to the questions by putting a comment in the space below on some of the questions that are on this questionnaire.

**SECTION A: PERSONAL INFORMATION OF THE RESPONDENTS**

1. Female  Male 
2. Age ……………18-30 30–35  40+
3. A level of education has been reached ……

Advanced level  Diploma Degree Masters PhD

You may indicate on this space if there any options.

………………………………………………………………….

**SECTION B**

1. Below is the importance of inventory management for Freda. To what extent do you agree?

For the respondents: kindly tick in a suitable box

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Stock value for FREDA** | **Strongly agree** | **Agree** | **Neutral** | **Disagree** | **Strongly disagree** |
| **Reduce costs** |  |  |  |  |  |
| **Increasing profitability** |  |  |  |  |  |
| **Economies of scale** |  |  |  |  |  |
| **minimize stock outs** |  |  |  |  |  |
| **Buffer interface** |  |  |  |  |  |

Unless stated otherwise………………………………………………………………

res

2. Below are the inventory management challenges that are being faced by Freda. Do you agree and to what extent?

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Challenges** | **strongly agree** | **Agree** | | **Neutral** | | **Disagree** | **Strongly disagree** | |
| **Lack of expertise** |  |  | |  | |  |  | |
| **Bad infrastructure** |  |  | |  | |  |  | |
| **Inefficient processes** |  |  | |  | |  |  | |
| **Warehouse spacing** |  | |  | |  |  | |  | |
| **supply chain complexity** |  | |  | |  |  | |  | |

If otherwise, kindly specify

……………………………………………………………………….

1. How do you explain the relationship that lies between inventory management and organizational performance?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Inventory management strategies** | **I completely agree** | **Agree** | **Neutral** | **Disagree** | **Strongly disagree** |
| **Poor inventory management can affect organizational performance.** |  |  |  |  |  |
| **Inventory management strategies are directly related to organizational performance** |  |  |  |  |  |
|  |  |  |  |  |  |

If otherwise, please specify ……………………………………………………………………….

**Thank you for your precious time, we have come to an end of the questionnaire.**