



## A STUDY ON INVENTORY MANAGEMENT A TOOL TO ORGANIZATIONAL PERFORMANCE

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### ABSTRACT

*Inventory as its name suggest is the list of things to be found i.e. a list of all supplies that are required by an organization for its smooth running. Managing this inventory is very important aspect for any organization because it has direct impact on the working of the organization. Due to this need of listing and managing inventory a concept of inventory management evolved that comprises of taking charge of raw material on hand, in process, spares or any other material that facilities production of final goods and meet expected demand and distribution level. Taking inventory management as a vital backbone of any organization paper highlights the urge of inventory management within the organization. The research work of this paper is based on the concept that proves that inventory management is an important tool to be taken care within the organization because it has direct impact on organizational performance.*



**KEY WORDS:** Organization, Performance, Inventory Management etc.

### INTRODUCTION

Inventory basically referred as stock in the organization is a key factor to be taken care of. Each and every organization follows the process of inventory management in their unique way. Inventory management is an art or distinct skill to manage, direct and organize stock or inventory in the organization. Inventory management is taken care off to avoid any disereinces in production process. In 21<sup>st</sup> century inventory management is considered as an integral part of supply chain management, this is because inventory has its direct impact on overall performance of the organization. It is truly believed that inventory management has become an important part of the business as it leads organization directly to the path way of achieving efficient production, control cost, enhancing supply chain management and giving stratification to customer by speedy and timely delivery. There is always a trade-off between how much to stock to meet the future demand and how much to order for future and arriving on this decision is difficult as it involves various external factors. Implementation of Inventory management system will avoid such trade-offs and will smoothens the decision making process in respect to stock. Inventory management is a systematic layout of plan answering the question of what to order, when to order, how much to stock and what is to be stocked. Thus the overall objective of implementing inventory management in the organization is to achieve overall performance and customer satisfaction by keeping the inventory within the reasonable limits.

**URGE OF INVENTORY MANAGEMENT IN THE ORGANIZATION:**

There are ample of software available for inventory management and such software are used by the organization for maintaining and managing inventory. There is a need of adopting inventory management system because:

1. **Optimizing Inventory:** stock administration framework recognizes re-requesting point for example when to put in a crisp request and in what amount. It offices ascertaining everyday stock accessible if there should arise an occurrence of crisis. In this way it advances the stock in the association as per time and need.
2. **Managing orders:** with effective inventory management system an adequate stock of inventory can be maintained all the time. It helps organization if there is any alarming situation with respect to no stock or high level of stock, so precautionary steps can be taken on timely bases.
3. **Efficient performance:** Inventory management system leads to automatic work in the organization. Where all records are maintained and calculation are done automatically which in turns improves the efficiency of the organization.
4. **Availability of Real time data:** Due to use of inventory management system all the records are available in up dated form. This further helps organization in decision making process in various aspects.
5. **Economical:** Inventory management system saves the business from expenses that may arise due to fluctuation in the prices of raw material in the market. It helps business in bulk buying when prices are low in the market.
6. **Helps in minimizing losses:** In case of desuetude, damage, destruction inventory management helps in minimizing losses as stock is maintained according to need or demand.

Analyzing and Interpreting the Impact of Inventory Management on Organizational Performance:

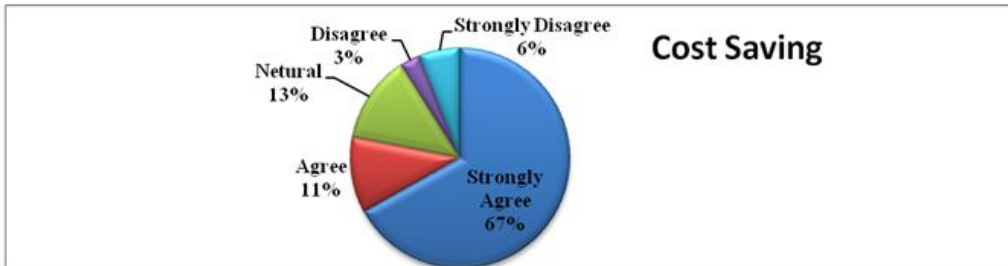
In order to know whether inventory management really has its impact on organizational performance or not various attributed were selected that measured the organizational performance and on the bases of that questionnaire was prepared. Questionnaire was circulated among various employees in five organizations and then results were analyzed and interpreted.

**QUESTIONNAIRE**

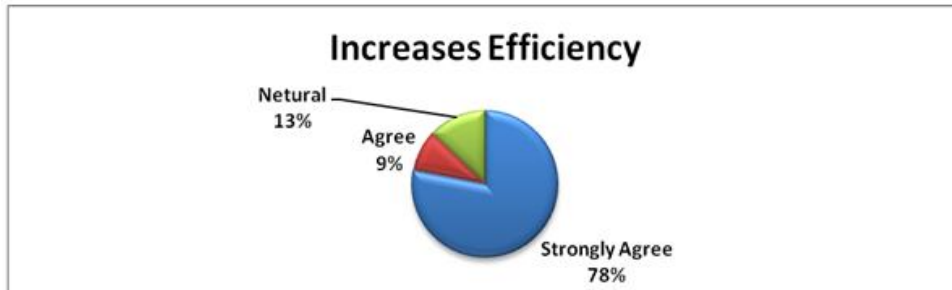
SR. No.	Questions	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Cost Saving: Inventory Management is an effective tool for saving cost within the organization					
2	Increases Efficiency: Inventory management leads to efficient production and overall performance index increases.					
3	Stock Maintenance: Inventory management enables organization to keep track of stock.					
4	Decision Making: Inventory management smoothen the decision making process in the organization.					
5	Control on Losses: Inventory management facilities organization in incurring minimum loss.					
6	Provide Insight about Trends: Inventory management helps organization to keep a track on new demand and new trends in					

	the market.					
7	Warehouse Management: Inventory management helps in organizing warehouse facilities properly.					
8	In Hand Data: Inventory management provides updated form of data when ever required.					
9	Minimizes Business Risk: inventory management reduces risk to its minimum level.					

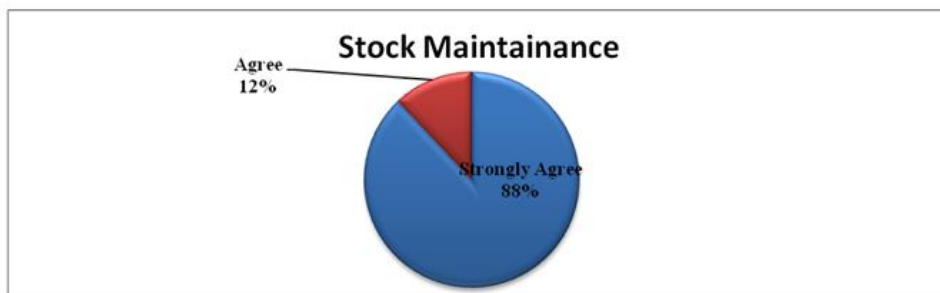
**INTERPRETATION OF RESULTS:**



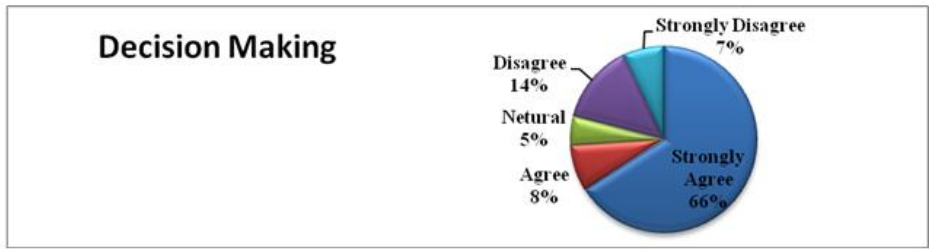
From the graph we can interpret that 67% of employees agrees to the concept of cost saving is achieved if inventory management is adopted. Inventory management helps in curtailing expenses as it minimizes the stock of unwanted raw material, spares etc.



From graphical representation we can say that maximum of the employees believe that inventory management facilities in increasing efficiency of the organization.



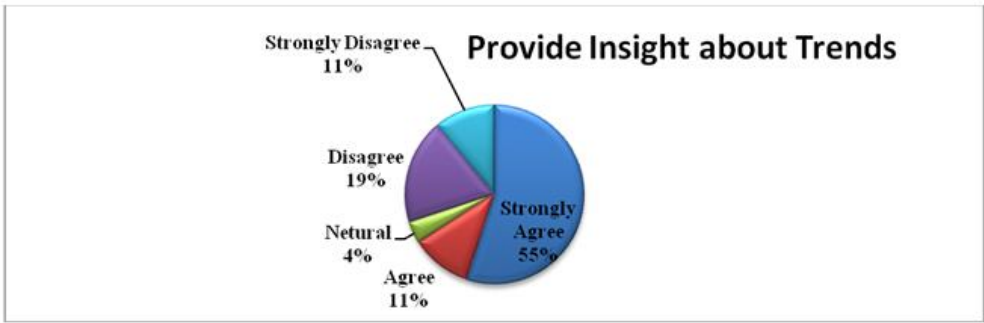
From Chart it is very clear that there is no other opinion than agreeing to the fact that inventory management is a key to stock maintenance. Inventory management system facilities in maintaining Adequate stocks that will help in timely and regular supply of the inventory. Thus this in turn helps organization to serve to the customer with finished goods easily.



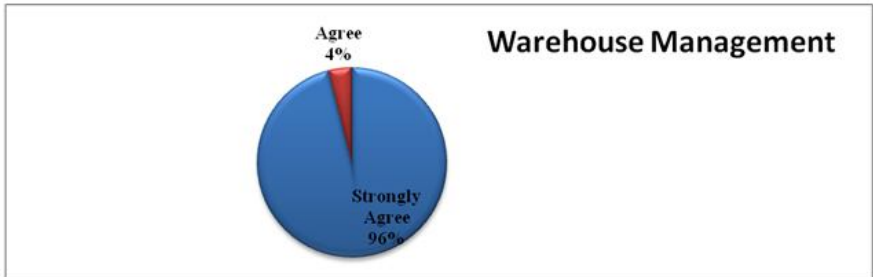
From graph we can interpret that inventory management smoothens the decision making process of the organization. These is because inventory management has all the data in hand readily available at any point of time so it facilities management in making decision spontaneously.



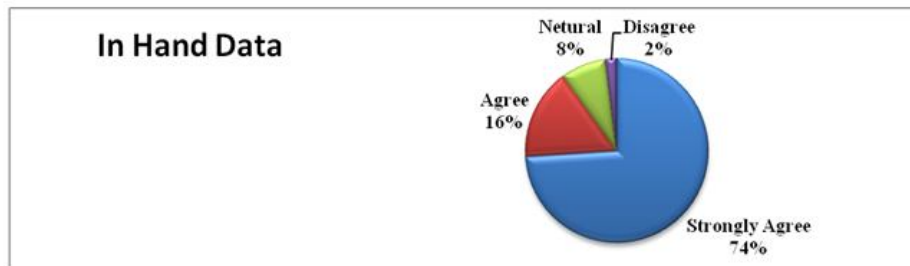
From the above chart we can say that majority of employees strongly agree that inventory management system facilities organization in controlling losses.



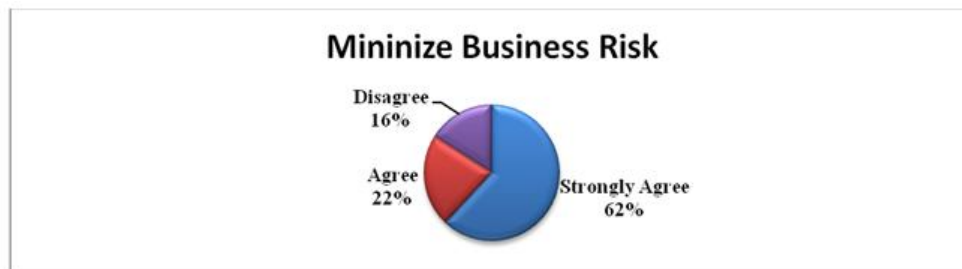
From this graphical representation mixed opinion is gathered as to whether really insight regarding trends prevailing in the marked can be identified or not. It also talks about the maintenance of stock as per the trend but it are difficult to say whether inventory management helps to provide insight or not.



From the graph we can interpret that inventory management system helps in optimization of resources .



From the above graphical representation we can say that use of an inventory management system can provide an up-to-date and real-time data so the various levels of inventory usage can be successfully maintained. Almost majority the employee agrees with this fact.



From the chart we can depict that 62% strongly agrees that implementation of inventory management system helps in reducing business risk. This agreement is because inventory management supports all the above headings which indirectly lower the business risk.

#### CONCLUSION:

Inventory management system will always provide efficiency to the organization through competitive advantage. From the above research conducted we can observe that inventory management is an effective tool within the organization that helps organization to carry out all its management functions and process without any intervention. After taking into consideration various attribute of organizational performance as a parameter to measure inventory management as an effective tool, at the end of questioning various employees we can say that majority of the employees agrees with the fact that inventory management helps in boosting organizational performance. Thus it is observed that inventory management system takes organizational performance to another level of accomplishment.

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