Effect of Inventory Management Practices on the Organisational Performance of Food and Beverage Companies in Kwara State, Nigeria

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Abstract

This study examines the effect of inventory management practices on the organisational performance of Food and Beverage companies in Kwara State, Nigeria. A descriptive research design was adopted for this work. Three food and beverage companies with a population size of 902 staff made up the study. Among which 225 respondents were selected using Nassiuma's (2000) formula which formed the sample size of the study. Data were collected with the aid of a structured questionnaire that was administered to respondents. The instrument shows Cronbach's alpha coefficient of .920. Data collected were analyzed using descriptive (Frequency and Percentage) and inferential (Regression Analysis) statistics using the statistical package for social sciences (SPSS version 23) software. This study reveals that inventory management practices had a significant positive effect on the organisational performance of food and beverage companies in Kwara State, Nigeria. The conclusion from the study is that inventory management practices significantly influenced the organisational performance of food and beverage companies in Kwara State, Nigeria. It was therefore, recommended that for organisations to maintain a high level of performance, they must ensure that stocks at all times are sufficient to meet production requirements and customer demands and must also avoid overstocking of stocks that might increase holding costs.

Keywords: Inventory Management Practices, Organisational Performance, Production, Overstocking, and Holding Costs

Introduction

Inventory is a vital component of a business that must be handled prudently, taking into account that a large percentage of the corporate capital is tied up. Companies' primary goals are to improve efficiency with fewer resources while improving quality as well (Nsikan, Etim & Uduak, 2015). Several strategies allow a company to accomplish these goals; however, cutting down company inventory is the main and typically "hidden" technique. Inventory comprises a significant proportion of the current category of properties. The smooth operation of the company is impaired by insufficient inventory, while excess inventory entails increased costs, which can decrease the income of the organisation.

In recent years, many firms in the world have faced several challenges particularly in inventory management and control, thus affecting their operational performance. There have been cases of materials overstocking which eventually got expired or out dated, under stocking, lack of stock-taking, theft of materials by workers and delay in delivery of materials into the organizations among others. The basic business problem is that some managers lack strategies for efficient inventory management (Basu & Wang, 2011; Hatefi & Torabi, 2015). Hence, there is a need by food and beverage companies to develop strategies for managing and maintaining optimal inventory level of raw materials and saleable products.

Inventory control techniques are vital factors of every organisation. The preparation, ordering, and scheduling of the goods used inside the production manner are blanketed. It handles three (3) categories of stocks, which are raw substances, work in progress, and finished merchandise.

In each production corporation, effective stock management protects the organisation from waste due to low-best manufacturing, client dislike, lack of earnings, and excellent social duty which have an instantaneous effect on the organisation's success (Temeng, Eshun & Essey, 2010). Consequently, the satisfactory of the raw material is the key determinant of the efficient effectiveness of any manufacturing issue, from procurement to the time of processing.

Statement of the Problem

The main goal of inventory management is all about balancing the conflicting economics of not wanting to hold less stock or too much stock at any point in time (Kumar & Bahl, 2014). In Nigeria, striking a balance between overstocking and running out of stock has been a serious challenge for the food and beverage companies, they are confronted with the challenges of stock out of goods or materials during production. Due to stockouts, the companies received a lot of complaints and criticism by the customers, so this causes a lower sales and decrease in revenue.

Also, the problem of inventory control is one of the most important concepts in organizational management (Ziukov, 2015). Research has shown that inventory control was one of the most neglected management areas in most companies, thus straining on a business operation. Empirical evidence has also shown that companies who failed to control their inventories suffered great losses.

From the existing literature, adoption of effective inventory management has been a serious challenge to many food and beverage companies in Kwara State, Nigeria. There have been a lot of difficulties in determining the desired stock levels that ensures a free flow of materials without incurring heavy expenses in stocking those materials and without any stock being rendered obsolete. In addition, there have been low productivity in many food and beverage companies as a result of poor inventory model used by the companies. Evidently, there is ineffective management and control of inventories in many food and beverage companies leading to the decline in their general operational performance.

Objectives of the Study

This work has the following objectives:

i. To examine the effect of inventory control on the organizational performance of food and beverage companies in Kwara State, Nigeria;
ii. To identify the influence of inventory turnover on the organizational performance of food and beverage companies in Kwara State, Nigeria.

Research Hypotheses

The following research hypotheses guided the study:

i. H_{01}: There is no major effect of inventory control on the organisational performance of food and beverage companies in Kwara State, Nigeria.
ii. H_{02}: There is no significant effect of inventory turnover on the organisational performance of food and beverage companies in Kwara State, Nigeria.

Literature Review

Concept of Inventory Management Practice

The framework embraced by a firm to deal with the venture made in a stock (Stevenson 2010) is inventory management practices. The accompanying sub-headings (Inventory Control and Inventory Turnover) clarify the arrangement of approaches that control and screen the degree of inventory and figure out what level should be kept up, how huge a request ought to be set, and when inventory ought to be renewed.

Inventory Control

Controlling is a component by which to accomplish an ideal improvement in the framework execution, some portion of the framework is upgraded. Hailing and Guochao (2011) characterized inventory control as a cycle in which the strategy and methodology implemented or embraced by the assembling organisations direct the materials and parts in stock inside as far as possible.

Gbadamosi (2013) identifies inventory control as the management practice carried out to ensure that both quality and quantity are available for materials necessary for uninterrupted organisational operations. It is concerned with the monitoring at fixed amounts or within safe limits of the physical quantities and the monetary values of inventory objects. Inventory management theory is that the company should not experience a stock-out situation or bind huge resources as a strong stock carrying.

Tom, Akhilesh, & Sijo (2013) perceived that inventory controls are operations that maintain at desired levels stock holding products. Aarti & Dhawal (2013) concluded that stock needs careful management because it becomes a company's biggest asset.

Naliaka and Namusonge (2015) depicted inventory control as a method for making accessible, varying, related materials of the correct quality, and amount to the economy of deficiencies, requesting costs, buying cost, and working capital. The degree of stock-holding materials is controlled by inventory control. It additionally empowers the material director to complete the exact and productive movement of the assembling organisation by decoupling the individual fragments of the general activity, in this manner including the cycle of inventory assessment in the distribution center and the issue of inventory.

Inventory Turnover

According to Rao and Rao (2009, p.42), inventory turnover has to do with the occasions an inventory turns over or pushes in a year through the firm." Inventory turnover of 12, for instance, implies that the normal inventory moves once every month through the firm. The pace of merchandise traveling through and recharged by the framework is estimated (Tipparat and Sawat, 2013). Inventory turnover gauges the movement at which inventories go through the company's distribution center and measures the development of a huge piece of its present resources, indicating how quickly the inventory is turned over by an organisation.

Inventory turnover was depicted by Namagembe and Munene (2016) as the occasions that inventory is changed into money. It is a proportion that demonstrates how frequently the inventory of a business is sold and supplanted in one year. Likewise, inventory turnover is the movement at which the exchanging organisation sells its inventories or how much turnover in one year is created by the normal inventory. Additionally, inventory turnover speaks to how much, longer than a year a business flushes inventory from its framework. Another writing explained that keeping up ideal inventory and appropriate advancement to sell inventory and in time request is legitimate inventory turnover.

Koumanakos (2008) referred to in Namagembe and Munene (2016) suggested that high in ventory levels imply low inventory turn levels. In other words, the potential for rapid inventory tturnover shows a company's performance in using its inventory investments, which are the main current assets of the manufacturing company. Fast stock turnover often minimizes overstocking and helps to keep costs down. An unreasonably long inventory holding period, on the other hand, could signify an economic recession, outdated inventory, weak sales and marketing, a shift in consumer taste, or poor management of inventory.

Concept of Organisational Performance

Baldrige criteria define performance as the production of processes, goods, and services that allow for assessment and comparison of objectives, standards, past outcomes, and other organisations with performance (Waruiru & Kagiri, 2015). Financial and non-financial terms are two types of results. Baldrige criteria define

measurement as numerical information that quantifies the dimensions of processes, goods, services, and the overall organisational effects of input, output, and efficiency (Mwangi, 2015).

Financial performance is the standard way of assessing the performance of a business by financial metrics such as revenue return, net profit, investment return, and cash flow. Non-financial indicators assess an organisation's performance through operational performance. The observable component of the phase of a company is seen to be operational efficiency.

Another literature notes that organisational efficiency involves reliability of output and defect rates, time of production cycle, on-time delivery, minimization of quality and scrap costs, productivity, and inventory. Also, operational efficiency could be a measure of how efficiently an organisation uses its assets from its core activities for an outlined duration and produces revenues. Organisational success within the same vein is that the performance of the firm calculated against normal or defined quality metrics.

Theoretical Review

This study adopted Theory of Constraints (TOC) and Economic Order Quantity Theory (Wilson's EOQ Model). Theory of Constraints (TOC) was developed by Dr. Eliyahu Goldratt in the 80s. He postulates that an organisation is a system, and every system has at least one constraint limiting it from achieving its goal of making more money. It is a process improvement methodology that emphasizes the importance of identifying the "system constraint" or bottleneck. By leveraging this constraint, organizations can achieve their financial goals while delivering on-time-in-full (OTIF) to customers, avoiding stock-outs in the supply chain, reducing lead time.

The Economic Order Quantity (EOQ) model was developed by Ford W. Harris, it is a mathematical model formulated within the scope of operations management to determine the optimal inventory level. Ross, Westerfield, Jaffe, and Jordan (2011) stated that Economic Order Quantity (EOQ) model is an approach of determining the optimal inventory level that takes into account the inventory carrying costs, stock-out costs and total costs which are helpful in the determination of the appropriate inventory levels to hold.

Empirical Review

Agum, Awogbemi, and Taimako (2018) investigated the impact of inventory management practices on organizational performance. Ordinary Least Square (OLS) regression method was used for carrying out the empirical analysis. Questionnaire was administered to various staff of College of Education, Akwanga who engage in inventory management practices. A sample size of 106 was arrived at from the population of 517 using Smith (1984) formula. Findings from the study revealed that inventory planning, inventory valuation and inventory control has a significant impact on operational efficiency, timely delivery, cost reduction and profitability of organization independently and jointly.

Nsikan, Etim and Imeh (2015) took a study on inventory management practices and operational performance of flour milling firms in Lagos, Nigeria. 150 respondents were randomly selected from the population of 2569 which was constituted by the selected five flour manufacturing firms. The findings revealed that there is need for the flour manufacturing firms to implement scientific inventory management models to adequately handle material shortages and product stock outs.

Oballah, Waiganjo, and Wachiuri (2015) investigated the effect of inventory management practices on organizational performance in public health institutions in Kenya: A case study of Kenyatta National hospital". A descriptive case study design was used and the study revealed that inventory investment and inventory records accuracy have a positive influence on organizational performance while inventory shrinkage have a negative effect on organizational performance of Kenyatta National hospital. The study recommended that the hospital should ensure that losses resulting to inventory shrinkage related to medicines are reduced. This can be

done by ensuring that inventory records are accurately kept. The hospital need to manage its inventory investment by ensuring that the right amount is kept at all time.

Imeokparia (2013) examined the relationship between inventory management system and performance of food and beverages companies in Nigeria. The study employed secondary data which were obtained from annual financial reports and accounts of Food and Beverages companies listed on the Nigerian Stock Exchange. The study employed simple and multiple regression models and the result of the study indicates that there is significant relationship between inventory management and control and the performance of Food and Beverages companies in Nigeria at 5% level of significance. The study revealed that the three key qualities that are essential in inventory management decisions for manufacturing organization from the perspective of the third party logistics provider are customer satisfaction, on time delivery and order fulfillment.

Kamau and Kagiri (2015) investigated the influence of inventory management practices on organizational competitiveness: A case study of Safaricom Kenya limted. In this study the target responses include the 103 management staff from the company Head Office in Nairobi and stratified random sampling was applied where a sample was calculated using Fishers formula. The study collected primary data using a questionnaire with both open ended and closed ended and both descriptive and inferential statistics were used. The study found that inventory shrinkage, inventory investment and inventory turnover affect the competiveness of Safaricom limited and the study concluded that inventory management practices are very vital to the competiveness of organizations and affect profit maximization, customer satisfaction, market share growth, product quality targeting, return on investment of the study firm.

Methods

The study employed a descriptive analysis to analyse the effect of the identified variables of inventory management practices and organisational performance. The population of the study consisted of selected nine hundred and two (902) employees in charge of production, quality control, maintenance, account, stores, warehousing, and inventory operation of the selected food and beverage companies in Kwara State, Nigeria which are, Tuyil Pharmaceuticals Industries Limited, Seven-Up (7up) Bottling Company, Dangote Flour Mills, Ilorin. The figure was based on the given information. The sample size of Two Hundred and Twenty-Five (225) was determined using the Nassiuma (2000) formula.

This study used a primary source of data collection. The primary data were collected using a structured questionnaire to gather appropriate information from the respondents of the studied companies. For analyzing the gathered data for this study, a simple percentage, multiple regression analysis, and ANOVA were adopted. The simple percentage was employed to describe the demographic characteristics of the respondents while the multiple regression analysis and ANOVA statistical techniques were employed to test the hypotheses with the aid of SPSS version 23 at 0.05 level of significant.

Table 1: Socio-Demographic Information of the Respondents

Variable	Levels	Frequency	Percentage (%)
Gender	Male	173	76.89
	Female	52	23.11
	Total	**225**	**100.00**
Educational Qualification	O'Level	10	4.44
	OND/NCE	46	20.44
	First Degree	143	63.56
	Post-graduate	14	6.22
	Professional	12	5.33
	Total	**225**	**100.00**
Department	Operation	82	36.44
	Procurement	10	4.44

	Maintenance	27	12.00
	Store/Inventory	44	19.56
	Finance	43	19.11
	Quality control	19	8.44
	Total	**225**	**100.00**
Working Experience	Less than 2 years	37	16.44
	2-5 years	66	29.33
	6-9 years	70	31.11
	10 years and above	52	23.11
	Total	**225**	**100.00**

Source: Field Survey Result, 2020

A total of two hundred and twenty-five (225) copies of the questionnaire were administered, adequately completed and returned by the respondents of the selected companies in this survey, reflecting a 100 percent response rate. The socio-demographic data of the respondents is shown in table 1. It indicates that 173(76.89%) of 225 (100%) of the respondents who participated in this study were males, while 52 (23.11%) were females. It also indicates that a high number of the study participants were males. In addition, the distribution of the respondents' educational qualifications indicates that the majority of respondents had a first degree as shown by 143 (63.56%), 46 (20.44%) of respondents had OND/NCE, 14 (6.22%) of respondents had a postgraduate degree, technical certificate holders composed of 12 (5.33%) of respondents with just 10 (4.44%) of respondents with O'Level certificate. The result also shows that 82 (36.44%) of the respondents are in the operation department, 10 (4.44%) are in the procurement department, 27 (12%) are in the maintenance department, 44 (19.56%) are in store/inventory department, 43 (19.11%) of the respondents are in the finance department, and 19 (8.44%) are in the quality control department. This result indicates that a huge number of the respondents are in the operations department, this further shows a quite number of respondents in the Finance department. This huge number of staff in the Finance department might not necessarily be needed particularly in this era of automation and technology, for the companies to concentrate more on the inventory department which is crucial to every organisation. Information on respondents' working experience indicates that 37 (16.44%) had been working for less than 2 years, 66 (29.33%) for 2-5 years, 70 (31.11%) for 6-9 years, whereas 52 (23.11%) of the respondents had 10 and above years of working experience in the organisation.

Descriptive Statistics of Inventory Management Practices

Table 2: Inventory Control

SN	Items	N	Min	Max	Mean	Std. Dev.
1.	Capability to meet demand	225	1	5	4.746667	.8674676
2.	Current control system	225	1	5	4.977778	.8836028
3.	Reconciliation of inventory record	225	1	5	5.026667	.9397948
4.	Close linkage among systems	225	1	5	4.377778	1.028367
5.	Evaluation of finished goods	225	2	5	5.248889	.8505834
6.	Elimination of waste	225	2	5	4.862222	.9227504
7.	Reduction of variability	225	2	5	4.884444	.8477795
	Valid N (listwise)	225				

Source: Field Survey Result, 2020

Table 3: Inventory Turnover

SN	Items	N	Min	Max	Mean	Std. Dev.
1.	Inventory ordering frequency	225	1	5	4.720000	.9145647
2.	Replenishment of Inventory	225	2	5	4.862222	.7639444
3.	Inventory procurement	225	2	5	5.182222	.8697244
4.	Pricing	225	2	5	4.315556	.8929175

5.	Forecasting accuracy	225	2	5	4.604444	.8393119
6.	Sales volume	225	3	5	5.186667	.6819091
7.	Overall rate of inventory turnover	225	2	5	5.026667	.7613428
	Valid N (listwise)	225				

Source: Field Survey Result, 2020

Seven items were used to measure each of the variables, the result shows that all the items recorded high levels of mean score. Table 2 clearly shows respondents' opinions with a highest mean score (M = 5.248889, SD = .8505834), and a lowest mean score of (M = 4.377778, SD = 1.028367) respectively. The result shows that the selected companies are effective with their current control system. Also, table 3 statistics clearly shows respondents' opinions on inventory turnover in the study organisations with a highest mean score (M = 5.186667, SD = .6819091), and a lowest mean score of (M = 4.315556, SD = .8929175) respectively. The result shows that inventory turnover levels of the companies in the study area are high thereby generate more sales for every unit of asset held.

Descriptive Statistics of Organisational Performance

Table 4: Cost Effectiveness

SN	Items	N	Min	Max	Mean	Std. Dev.
1.	Material Management	225	2	5	5.035556	.7783785
2.	Internal Promotion	225	1	5	4.173333	1.061165
3.	Technology	225	2	5	4.884444	.8737122
4.	Market	225	1	5	5.008889	.7379455
5.	Maintenance	225	1	5	4.973333	.7554563
6.	Labour	225	1	5	4.604444	1.008437
7.	Firm size	225	1	5	4.915556	.7422082
	Valid N (listwise)	225				

Source: Field Survey Result, 2020

Table 5: Operational Efficiency

SN	Items	N	Min	Max	Mean	Std. Dev.
1.	Capacity Utilization	225	2	5	5.013333	.7225945
2.	Pricing policies	225	3	5	4.924444	.6604772
3.	Resource Utilization	225	2	5	4.848214	.8332746
4.	Working capacity	225	3	5	4.968889	.7282017
5.	Installed capacity	225	3	5	4.897778	.8146233
6.	Material Utilization	225	2	5	4.937778	.8213906
7.	Time Management	225	1	5	4.964444	.7310571
	Valid N (listwise)	225				

Source: Field Survey Result, 2020

Seven items were used to measure each of the variables, the result shows that all the items recorded high levels of mean score. For cost-effectiveness, statistics clearly shows respondents' opinions with a highest mean score (M = 5.035556, SD = .7783785), and a lowest mean score of (M = 4.173333, SD = 1.061165) respectively. The result shows that the organisations are effective with their costs. Also, statistics clearly shows respondents' opinions on operational efficiency in the study organisations with a highest mean score (M = 5.013333, SD = .7225945), and a lowest mean score of (M = 4.848214, SD = .8332746) respectively. The result shows that the companies were able to minimize redundancy and waste while leveraging the resources available for operation.

Test of Hypotheses

Hypothesis I: There is no major effect of inventory control on the organisational performance of food and beverage companies in Kwara State, Nigeria.

Table 6: Analysis of Variance of Hypothesis I

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	849.921027	7	121.41729	4.18	0.002
	Residual	6295.85042	217	29.013136		
	Total	7145.77144	224			

Source: Statistical analysis result, 2020

The outcome of the Analysis of Variance on the effect of inventory control on organisational performance is summarized in Table 6. The results in Table 6 show that inventory control with F-statistics of 4.18 and p-values of 0.002 affects organisational performance, which is lower than the significance level of 0.05 adopted for this work. The results show that inventory control has a positive effect on organisational performance and the result of the relationship is statistically significant.

Decision Rule

The decision rule states that reject the null hypothesis (Ho) if $p \leq 0.05$. Therefore, since the p-value 0.002 is less than 0.05, we reject the null hypothesis which states that there is no major effect of inventory control on the organisational performance of food and beverage companies in Kwara State, Nigeria. Therefore, we conclude that inventory control has a major effect on the organisational performance of food and beverage companies in Kwara State, Nigeria.

Hypothesis 2: There is no significant effect of inventory turnover on the organisational performance of food and beverage companies in Kwara State, Nigeria.

Table 7: Analysis of Variance of Hypothesis II

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	172.805785	7	24.6865407	5.270	0.000
	Residual	1017.0673	217	4.6869461		
	Total	1189.87309	224			

Source: Statistical analysis result, 2020

The results of the Analysis of Variance on the impact of inventory turnover on organisational performance are presented in Table 7. The findings in Table 7 show that with F-statistics of 5,270 and p-values of 0,000, inventory turnover influences organisational performance, which is lower than the significance level of 0.05 adopted for this work.

Decision Rule

The decision rule states that reject the null hypothesis (Ho) if $p \leq 0.05$. Therefore, since the p-value 0.000 is less than 0.05, we reject the null hypothesis which states that there is no significant effect of inventory turnover on the organisational performance of food and beverage companies in Kwara State, Nigeria. Therefore, we conclude that inventory turnover has a significant effect on the organisational performance of food and beverage companies in Kwara State, Nigeria.

Table 8: Statistical Analysis of Result Presentation of the Findings of Multiple Regression Analysis on Inventory Management Practices and Organisational Performance

Model Summary				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.710[a]	.505	.496	.398371

a. Predictors: (Constant), Inventory Control, Inventory Turnover

Coefficient						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T-Value**	**Sig. P-Value**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.254	.258		4.863	.000
	Inventory Control	.288	.052	.391	5.551	.000
	Inventory Turnover	.496	.060	.615	8.256	.000

b. Dependent Variable: Operational Efficiency

Table 8 shows that each of the variables included in the model contributed to the prediction of the dependent variable. The study is interested in comparing the contribution of each independent variable; therefore, beta values are used for the comparison. As can be observed from the table of regression coefficient, the standardized beta coefficients are 0.391 or 39.1% which is inventory control and 0.615 or 61.5% for inventory turnover. This means that the above two inventory management practices make positive and significant contributions to explaining the dependent variable - Organisational performance.

Discussion of Results

The effect of inventory management on the organisational performance of food and beverage companies in Kwara State, Nigeria, was investigated in this study. The analysis of variance (ANOVA) showed that a significant relationship between inventory management and organisational performance of food and beverage companies was positive and statistically relevant. The result indicates that the type of inventory management methods implemented by food and beverage businesses play an important positive role in improving the efficiency of their production activities. The result of this analysis is sufficiently confirmed by the Principle of Constraints. The Theory of Constraints implies that the efficiency of organisations depends on the application of inventory management by those firms.

A relatively significant number of inventory management analysis studies support the results of this study. Agum, Awogbemi, & Taimako (2018) reported that inventory planning, inventory valuation, and inventory control are independently and jointly significant to operational efficiency, timely delivery, cost reduction, and profitability. Imeokparia (2013) stated that there is an interesting connection between control of inventory management and the performance of Nigeria's food and beverage companies.

Conclusion

The main objective of inventory management is to ensure that there is a balance between balancing the conflicting economics of not wanting to hold too much stock. One of the strategies that are used to achieve organisational goals is to provide evolving inventory control techniques as well as various costs associated with inventories which must be minimized to obtain optimal performance. Based on the study findings, the study concluded that effective implementation of inventory management practices, such as inventory control and inventory turnover enhanced the performance of the organisation independently and jointly.

Recommendations

The following is recommended:

1. Food and beverage companies should not take the issues of inventory management lightly because it has the power to make or mar the future of the company's liquidity position.
2. Organisations should ensure that maximum attention is paid to inventory management to minimize waste.
3. Food and Beverage companies are encouraged to be more technologically inclined thereby switching to advanced inventory management models.
4. Organisations are also encouraged to be more cost efficient and effective in their production process.

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