

# An evaluation of the effectiveness of ok zimbabwe's inventory control system essa...



## 1. 1 INTRODUCTION

This chapter outlines the background to the study undertaken, an outline of the problem statement, and the objectives of the study and research questions. It also looks at the limitations and delimitations as well as the significance of the study on the effectiveness of the inventory control system in improving the performance of an organisation.

## 1. 2 BACKGROUND OF THE STUDY

OK Zimbabwe has been in existence since 1942, and has established itself as a customer-oriented retail organisation providing access to a broad range of retail products and allied services developed in response to its customers' requirements for convenience and value. After the introduction of the Multi-currency system in February 2009, OK Zimbabwe like other companies was left without adequate capital for stocking its stores. This problem was exacerbated by the problem of stock pilferage, which threatens the viability of the organisation. OK Zimbabwe in the past years has put in place internal controls that manage the movement of stocks as they are ordered, received and sold. the following are the inventory control measures that were installed in order to manage stocks: OK uses points of sale type of control method to order new stock for their organisation which involves updating the inventory each time there is a sale. That is according to business dictionaries the inventory figure is updated as soon as the organisation transfers ownership to the buyer.

The organization has also installed a closed-circuit television (CCTV) which is the use of videos for surveillance for the shop areas that monitoring of stocks in the warehouse and shopfloor. OK has also employed security guards as a

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measure to control stocks in the shop floors hence avoiding stock pilferage. OK Zimbabwe is a publicly owned company where shareholders have a stake in the company and need confidence that their money is being put to good use. Accounting regulations clearly state that stock must be verified and this is done through stocktakes. A stocktake is merely a spot check to confirm the value of stock we have on a particular day. This confirmation is made between ledger stock that is available in the system and the actual or physical shelf stock.

The company will be trying to establish the authenticity of the stock in the system. The company also has internal security which is the audit department, its purpose is to make sure that controls and company policy in managing stocks is being adhered to. This research has mainly been influenced by problems OK has been having in stock management. This has been evidenced by stock pilferage that it has been experiencing for that past years but with the above inventory control systems put in place. For the past years OK has moved from conducting stocktakes quarterly per year to having monthly stocktakes. The company across countrywide branches has been having stock discrepancies between the physical stock and that inputted in the system. Inventory control challenges are usually shown by the recorded stock and physical stock discrepancies. The following tables show stocktake discrepancies from different OK Harare branches: OK JULIAS

NYERERE WAY FEBRUARY 2012 STOCKTAKE

TABLE 1

Item description	Counted qty	Mach 4 qty	Discrepancy qty	Extended
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Discrepancy Selling value (\$)	Colgate dental cream toothpaste 100ml	7727.		
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00| 9135. 00| -1408. 00| -1450. 24| Sparletta cherry plum 300ml| 0. 00|  
 1536. 00| -1536. 00| -798. 72| Cremora coffee creamer 1kg| 78. 00| 594. 00|  
 -516. 00| -2688. 36| Lux shake me up soap 100g| 30. 00| 600. 00| -570. 00| -  
 324. 90| Gloria self raising flour 2kg| 0. 00| 26. 00| -26. 00| 494. 00| Sunlight  
 w/powder sachet 1kg| 0. 00| 350. 00| -350. 00| -1060. 50| Yogueta chocolate  
 sweets | 2. 00| -4431. 00| 4433. 00| 443. 30| Nektarade cherries 500ml | 4.  
 00| 479. 00| -475. 00| -204. 25| Nektarade  
 orange 500ml| 3. 00| 486. 00| -483. 00| -207. 69| TOTAL| | | |

## OK HOUGHTON PARK NOVEMBER 2012 STOCKTAKE

TABLE 2

Product Description	Counted Quantity	Mach 4 Stock Quantity	Discrepancy Quantity	Extended Discrepancy selling value (\$)
Red seal Pearlenta 10kg	167	253	(86)	(645. 00)
Mazoe Blackberry 2lt	469	356	113	309. 62
Key Brightening blue	2 153	2 010	143	243. 10
Shumba refined mealie-meal	14	97	(83)	(530. 37)
Sunlight washing powder 1kg	0	108	(108)	(281. 88)
Probrands Superior long grain	512	314	198	504. 90
Pawpaw/Papito kg	0	198	(198)	(1 120. 68)
50kg Amonium nitrate	6	12	(6)	(231. 00)
50kg Compound D	1	9	(8)	(268. 00)
Total			( )	

## OK GLENNORAH SEPTEMBER STOCKTAKE

TABLE 3

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Product Description	Counted Quantity	Mach 4 Stock Quantity	Discrepancy Quantity	Extended Discrepancy selling value (\$)	
750ml Smirnoff Vodka	28	51	(23)	(\$ 186. 99)	
10's Lion Matches	100	12 734	889	11 845	\$6 040. 95
750ml Johnnie Walker Red Label	43	67	(24)	(\$ 448. 56)	
Sparletta Cherry Plum 300ml	196	800	(604)	(\$ 368. 44)	
Coke 300ml	1 128	2 042	(914)	(\$ 557. 54)	
Sparletta Cherry Plum 5300ml	40	286	(246)	(\$ 214. 00)	
Canned Coke 330ml	-	1 680	(1 680)	(\$1 176. 00)	
Canned Castle 330ml	2 501	494	2 007	\$1 565. 46	
Coke 300ml	1 157	426	731	\$ 511. 70	
TOTAL					

The above tables 1 to 3 are illustrating stock discrepancies from previous stocktakes conducted in 2012. They are showing discrepancies between mach 4 which is the computerized control system used to record stock as it is purchased and sold , and the physical stock in the branches. This has given the researcher to evaluate the effectiveness of the available stock control systems in OK Zimbabwe because the company is having high levels of stock pilferage due to mismanagement of stock, leading to loss of potential revenue.

## 1. 2 STATEMENT OF THE PROBLEM

Effective inventory control systems can be implemented to properly manage stocks and curb against stock pilferage.

## 1. 3 STATEMENT OF HYPOTHESIS

## 1. 4 RESEARCH OBJECTIVES

Research objectives state the purpose of the study and what it seeks to

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achieve. The research objectives of this study are the following: PRIMARY OBJECTIVE

1. To assess the effectiveness of the available systems to manage stocks in OK Zimbabwe. SECONDARY OBJECTIVES

2. To determine the causes of poor stock management in OK. 3. To identify the challenges faced in inventory control. 4. To determine the available systems for inventory management 5. To recommend management ways of properly manage inventory.

### 1. 5 RESEARCH QUESTIONS

This study seeks to address the following issues:

1. Are the inventory control systems in OK effective in controlling stock? 2.

What are the causes of poor stock management in OK?

3. Why the implemented systems not efficient in controlling stocks? 4. What

are the inventory control systems in OK?

5. How can the available systems improve in order to manage stocks properly?

### 1. 6 SIGNIFICANCE OF THE STUDY

This entails the importance of the study as well as potential beneficiaries; To the researcher

it is a basic requirement for the fulfillment of the Bachelor of Commerce

Business Management degree. the study will also: \* Enhance the researcher's academic knowledge

\* Enable the researcher to test the theories learnt and practical application of the concepts covered under the period of study.

To OK Zimbabwe

\* The research will bring out factors that are affecting inventory control in company as well as areas for improvement will be noted. \* Research outcomes will be used by the OK company to establish new and effective ways of controlling their inventory so as to operate efficiently and effectively

To the public or community

\* the research will benefit the public in that there will be reduced stock-outs , lower prices an also friendly shopping environments, To MSU

\* The research will provide literature review to students who want to do a further research of the study.