AN ASSESMENT OF THE IMPACT OF POOR INVENTORY MANAGEMENT METHODS ON FERTILISER SUPPLY. THE CASE OF ZIMBABWE FERTILISER COMPANY (1985-2013)

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A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE BACHELOR OF COMMERCE (HONOURS) DEGREE IN PURCHASING AND SUPPLY

OCTOBER 2014
ABSTRACT

Since 1985, Zimbabwe Fertiliser Company (ZFC) has been experiencing a decline in profits and at the same time costs of the company continue to increase leading to fall in fertiliser supply levels. The researcher noted that factors which constituted to poor inventory management were demand forecast error, stock outs, raw material costs and ordering price. Therefore, the study sought to assess the impact of poor inventory management on fertiliser supply at ZFC. Using time series data from (1985-2013) Ordinary Least Squares (OLS) estimation criteria was employed to estimate the changes on fertiliser supply depending on the effectiveness of inventory management. Secondary data was collected from the sole company’s documents. Using regression results the researcher was able to determine that there is a negative relationship between poor inventory management and fertiliser supply implying that an increase in use of improper inventory management techniques, supply of fertiliser will definite decrease and the decrease in employing poor inventory management will lead to a rise in fertiliser supply. The researcher then recommended on improved and proper use of inventory management policies such as the MRP theory and demand forecasting methods that are crucial for products that have uncertain demand and exponential smoothing method was recommended. There is therefore need to restructure the procurement function such that it is allowed to play its strategic role in the organisation so that people with expertise in procurement function are given rights on setting up policies especially inventory management techniques that improves the output of the company and fulfilling company’ main objectives of cost reduction and profit maximisation.