

Cost-Effective Stores Management

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Abstract: *Distribution activities that are involved in store keeping, stock control and stock handling are carried out efficiently and economically by those employed in the stores. Efficient stores management can have a significant impact on the strategic objectives of the Polytechnic. In general administration of stores is to make sure that all activities involved in stock control and employees in the stores carryout stores keeping, store control and stock handling efficiently and economically. It also consists of the recruitment, selection, induction and training of stores officers and more. This research work can be used as a guide in setting stock taking interval. The study will also help to solve the problems faced in setting up periodic stock taking and various activities involve. It will also help potential entrepreneurs to be informed of what is at stake in businesses as far as stock management is concern. The study will reduce the incidence of financial losses characterized by inefficient stores management.*

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I. Introduction

According to Gulick and Urwick, they look at management as the process of getting activities completed efficiently and effectively with and through other people. They went further to identify the management functions which include; planning, organizing staffing, directing, coordinating, reporting and budgeting.

Frenchman Henry Fayol, considers management to consist of seven functions planning, organization, leading co-coordinating, controlling, staffing and motivation.

Management is an organizational function, like sales, marketing, finance or investment.

Manages have resources to invest their time, talent and possibly, human resource. The goal (function) of management is to get the return on such resources by getting things done efficiently. *Wikipedia.org (states that)* A manager is the person ultimately responsible for day to day operation of the stores. The roles and responsibilities of stores manager include; recruiting, hiring and development, performance management, and workplace scheduling.

Graham Stevens, KPMG, Peat Marwick, Michintock (2004) said whilst business often spend a lot of time and thought on strategic issues in the area of marketing/retailing , the focus on stores supply is rarely strategic, in operational tends. If the supply functions are disregarded or ignored, such that the supply chain is excluded from strategic debate, there is imbalance and, exploitable opportunities are missed, on the impact of the competitiveness stores plays and it contribution. This leads to cutting out cost and improving customer service through cross functional team.

Functions of Stores

The stores function can be seen as management, the same way as sales, marketing, finance and audit.

To Carter J (2001), the stores function is basically concerned with holding stock. He also emphasized that modern stores have wide variety of functions, which have to be perform as efficiently as possible. This will help to ensure that stores management is carried out well which will reduce the incidence of financial losses. Their functions will include:

- To store, control and issue goods for retail.
- To apply all stationary for administrative running of the enterprise.
- To receive, store, control and utilize all damaged goods from clients.
- To store, control and issue computer and printer parts needed for operation within the company.
- To control and maintain staff within the store area.
- To ensure that adequate health and safety precautions are taken in relation to the whole store operation.



Security of Stores

It is the duty of stores management to ensure that security is maintained at all times within the store building and stockyards. The security element of storehouse according to Carter and Price covers the theft but also damage, fire and spillage. It also includes ensuring that all doors, windows and stockyards are secured. Unauthorized entry in the stockyard or store house should be prevented as to event any incidence of pilferage or theft.

Stock Records

It is the responsibility of the stores management to ensure that adequate up-to-date stock records are maintained for every item held in stock, whether at the sales center or at the warehouse. These records must provide the kind of information required to control and maintain the level of stock established i.e. level of stock, order levels, code number, supplier reference etc. It is a document that records the movement of inventory in stores. This takes the form of all receipts of stock holdings, issuing and balance of stock.

Record Book Keeping and Recording

Christopher D. (2009) states that, if discrepancies occur in accrual stock levels and that of the tally card, reference would have to be made on the book keeping records. A dictionary definition of book keeping is to keep an accurate record of the account of a business.

It can be argued that, expediting work does not add value to any organizations activities or product in any way, and a principal objective of many concerns achieved in some, is to reduce the need for expediting work to zero.

This must be kept by head of stores department, with the stores clerk up dating records on tally card. The need for proper book keeping ensuring that any discrepancy is rectified;

- Discrepancies in figures must be corrected.
- Mutual understanding must exist between a head of stores and store's clerk.
- Information is shared between the head and store personnel.
- Specifications must be clearly, understood by all staffs at stores department.
- New stocks must be entered properly.

Stock Checking

According Carter J (2001), he sees stock checking, as the physical verification of the quantity and condition of goods usually on a periodic basis for the purpose of ensuring that an appropriate figure appears in the company's accounts.

Inspection of Stock

Proper inspection of goods cannot be over emphasized as far as the significance of stores management to a small business is concerned. It is simply the act of examining all incoming consignment for quality and quantity. Normally, once the goods have been received into stores and goods received note is issued out, a copy of this eventually is given to the security/ inspection department to notify them of its arrival.

The security/inspection team can then inspect all goods or sample of the goods received and pass them through the system as accepted or rejected. The duplicate goods received note are endorsed if the goods have been rejected and to be returned to the supplier.



Stock Management

Every company now finds it very important to hold stocks. This is because; it has now been realized that small businesses do well by using minimal resources to produce the desired volume of profit without wasting resources. Furthermore a business in commerce cannot practically trade in only one product. A stock of each product is recorded on a tally card to inform stores management on the need to replenish stock levels. It is well noted that, most small businesses spend about 55-60% of capital on moving products, by Yamoah (2010). Stock management can be a source of savings if it is properly organized. Substantial loss can also be realized if stock management is neglected or abandoned by those in charge. By not doing the right thing, in the right way, at the right time. For the setting up of more inventory policies for products kept in stores, the primary consideration should be given to the following issues:

- At what period should we keep stock and in what quantities?
- Products that are very expensive and very perishable should be scarcely kept in the stores.
- Other issues like storage facilities needed, funds required to finance inventory and cost of storage must be given the due attention.

As much as possible, investment in stock should not exceed the expected savings in cost. Management of cost could also embrace other considerations such as the expected changes in the cost of goods. If there is a high expectancy of increase, then it becomes rational for more stock to be held. A good inventory policy must transcend into the analysis of opportunity cost in a bid to keep cost of storage low and other considerations as to probable stock outs must be considered.

Should there be huge investment in stock? The opportunity cost of investing funds into other new products should be taken into account. A possible trade-off could be reached to ensure efficient and effective stock keeping management practices. There are several theories that have been propounded on inventory. One of such theories is that which is provided by Starr and Miter (2006), inventory control is "dealing with the determination of optional procedures for procuring stocks of commodities to meet future demand.

Stock Levels

In order to stay abreast with changing conditions after stock level have been established in the first instance. Stock levels should be carefully reviewed at suitable intervals e.g. quarterly, monthly or even weekly and adjusted to meet any changes in circumstances. If this is not done, the original fixed level will soon become outdated and the system of stock control is rendered ineffective. The amount of stocks held at the warehouse can drastically affect cost and hence finances. This therefore, calls for vigorous monitoring of the changing conditions of stock levels in stores. The Institution also uses a manual system where stores personnel (clerk) is tasked to undertake a routine examination of each stock card anytime posting are made, so as to ensure that replenishment action is taken for new goods to be ordered. In a situation where the maximum stock level is reached and there are any outstanding orders still undelivered, arrangement may have to be made for those products to be delayed or to cancel the orders.

Stocktaking and Stock checking

The security and accountability for all material and equipment held within the stores system is the direct responsibility of the store's manager and his staff. Since it represents institutional funds, it must be controlled and accounted for. The responsibility of stocktaking demands that, the stores personnel perform a regular and complete physical checks of all the products held in stock. By verifying counted products with stock figures on stores recording system.

Types of Stocktaking Operation

Stock taking within the stores department can be done in different ways to help the stores department to achieve greater significance. The following are some of the ways.

□ □ **Periodic Stocktaking:** This is where a complete stocktaking is performed at regular intervals, usually at the end of each financial year or in some cases at quarterly intervals. The whole of the stock is covered at the same time, at the end of a given a given period. It is the most common method of checking and counting the stock. The system is normally used by most company because it has lot of importance to the stores department. In the first place, the stocktaking is usually carried out on a nonworking day and therefore the stock checkers have time to count carefully and check discrepancies. Also, a complete stocktaking enables discrepancies, which are brought to light, to be investigated. Lastly, accurate stock evaluation figure can be provided for the annual balance sheet and accounts.

□ □ **Continuous Stocktaking:** Under this system, a selection or sections of products are checked every week throughout a twelve month period. Every item in stock would therefore be physically counted and checked, without having to close down the stores department. By employing this method of stocktaking within the stores department, it enables the stores to continue working without the general work of the stores department coming to a halt. It reduces and prevents disruption caused by stocktaking over a long period. The programme should be so designed that a certain number of stock product are taken on every working day. It may be thought necessary to have certain valuable or fast moving stocks examined more frequently than other products.

□ □ **Spot Checking:** This is used in connection with the security and anti-theft aspects of stores management. Spot checks are designed to verify the stock held, without a prior warning which could provide time for stock to be replaced illegally. This system also acts as a deterrent against those who may contemplate theft, knowing that a sudden check could herald an investigation.

II. Methodology

In order to have reliable information for this study, an effective, efficient techniques and research instrument have been employed.

The Research Framework

Christopher D. (2009) in her writings she emphasized on the use of qualitative data to achieve objective results. In the case of this study, the researcher made use of both approaches. The researcher feels that in practice, blending the two will produces more valid and reliable conclusion.

Also this research is a case study type which enables some aspect studied in depth within a limited time scale problem to be made. The researcher identified the inefficiency of stores management as a problem. The problem was investigated at the stores department by collecting data with the use of questionnaires. The data were analyzed and recommendations were made after findings.

Population and Sample Size

Due to limited time, cost and the topic involved, the researcher focused on the stores department of the Polytechnic. The targeted population considered in the research is seven. It comprises one (1) the Head of stores, two (2) middle management and two (2) staffs from the department; also two (2) staff had taken their annual leave at the time of the research work.



EFFICIENT STORES MANAGEMENT HELPS TO REDUCE FINANCIAL LOSSES.

The following record shows that four respondents representing 80% admitted that, efficient stores management helps reduce the incidence of financial losses for the institution.

The Distribution of reduction of financial losses to the institution

Response	No of respondents	Percentage (100)
Yes	5	85%
No	--	0

PHYSICAL CHECK AND COUNTING OF NEW PRODUCTS BEFORE RECORDING.

Following record shows that, all the five respondents representing 100% admitted that, entries are made into their record books after they had physically cross examined new products. It can therefore be concluded that figures recorded are accurate and precise.

Physical check and counting of new product before recording

Response	No of respondents	Percentage (100)
Yes	6	100
No	--	0

Assessment of Performance

Following record shows that, all the 5 respondents representing 100% admitted that, management doesn't assess the performance of the stores staff. It can therefore be held that, the institutional management overlooks the performance of each staff.

Staff assessment by Management at the stores Department

Response	No of respondents	Percentage (100)
Yes	0	0
No	4	100

Influence of Spot Check

Following records as to find out whether the spot checks made, had revealed efficiency of the stores management system. Considering shortages and breakages. Three people which represents 60% said it was very significant, 20% also said it was significant and another 20% of them said it has no effect.

The impact of Spot check on the efficiency of stores management system

No. of Respondents	Percentage (%)
Very significant (3)	60%
Significant (1)	20%
No effects (1)	20%
Total (5)	100%

Periodic Stock Taking

From following records, it can be seen by the response given of all five staff representing 100% in acceptance that periodic stock taking is on yearly bases. None said it was on monthly or quarterly bases.

Periodic stock taking.

Time	No of respondents	Percentage (100)
Monthly	0	0
Quarterly	0	0
Yearly	5	100%
Total	5	100%

III. Summary, Conclusion and Recommendations

The objective of the study was to find out the efficiency of store management system at the Polytechnic. Various data concerning effective stores management was reviewed during the study at the different store department. The data was obtained through questionnaire, personal interview, observation and informal communication. The study found out that, even though the right calibers of personnel were found, they related that; more can be done to make the stores department very efficient. From the research work conducted on stores, the researcher’s findings from the stores department shows that, the stores unit is performing its functions in a fairly efficient manner thereby resulting in minimal losses to the institution’s finances.

Upon personal interview, it was realized that the use of both manual and computerized recording systems also results in discrepancies of figures within the stores\warehouse management. As indicated at the various stages of chapter two, of this research work.

The purpose of this research is to find out the efficiency of stores department to reduce financial losses..

The research work conducted, revealed and reached the following conclusions, after careful analysis of the data obtained;

- stores department does practice a fairly efficient stores system in avoiding financial losses.
- The stores department does not communicate to purchasing department their reorder levels thus holding large stocks and inventories.
- Management must consider fixing close circuit television (cctv), within the stores/warehouse department.
- Internal audit department must put measures such as continuous and spot checking, to ensure accurate quantities of product in the stores.

Subsequently, various recommendations have been made, which when implemented will help reduce losses at stores.

IV. Recommendations

After analyzing the responses from management and staff of the stores department, several findings were made. In order for the Institution to avoid the effect of shortages, breakages, and obsolesce, the researcher wish to outline recommendation that will help to improve the company’s stores operation.

- The stores departments should have serious measures against obsolesce and shortages to ensure efficiency.
- Again, the management of the Polytechnic should fully computerize the stores department to enhance accuracy of information processing. This will really help to avoid discrepancies in figures.
- The management must institute an award based on staff performance.
- Stock record and stock control systems can be tested. Verification by physical count will act as a form of performance check on the system and adjustments. To reveal any weaknesses in the system for the custody and control of stock.
- There should be quarterly stock taking. Stock taking is an indicator of overall stores efficiency and management control. The number and size of stock taking discrepancies usually warrants a close look at the personnel and system involved.
- There should be accurate stock level. The accurate stock level shown within the stock record system, backed up by a regular physical count, will ensure that all requirements of the user department are covered by existing stock levels and will be issued promptly and efficiently.
- There should be proper product handling. Since product damaged can be very expensive and will reduce the stock life of many materials. Poor product handling can result in spillage and it associated problems of premature stock deterioration and the cost that goes with it.
- Proper health and safety measures should be put in place for the staff in stores department depend upon the product handling system employed, the equipment operated and the level of training among the operators.
- There should be more in-service training
- Management must consider fixing close circuit television (cctv), within the stores/warehouse department.

□ □ Some security recommendations:

Keep all non-entry or exit doors locked and alarmed when not in use.

Control who has access to keys to the stores, and change the locks if theft is suspected.

Periodically check the trash bins, as they are a typical hiding place for stolen items.

It is based on the analyzed data and information provided in this research work that the above recommendations have been made or suggested. In other words, stores should abide by the procedure to ensure that, they achieve zero percentage of losses.

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