

REVIEW ARTICLE

THE INVENTORY MANAGEMENT PRACTICES AND ORGANIZATIONAL EFFICIENCY OF A CAR DEALER IN SAN PABLO, CITY

Lalaine A. Formeloza*

San Pablo Colleges

*Corresponding Author Email: lalaine.formeloza01@gmail.com

This is an open access journal distributed under the Creative Commons Attribution License CC BY 4.0, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited

ARTICLE DETAILS

Article History:

Received 23 August 2023
Revised 26 September 2023
Accepted 07 October 2023
Available online 10 October 2023

ABSTRACT

Effective inventory management is crucial for effective organizational functioning. The study focused on the inventory management practices used by a car dealer in San Pablo, City and their effectiveness, its importance and the challenges faced in applying inventory management practices by automotive dealers. The participants of the study are the employees of the company: Parts, Sales, Service, Finance and Admin Departments. Findings highlight the dealer's employment of the first-in, first-out (FIFO) method for stock valuation, managed via bin cards and excel. The study concludes that adept inventory management can curtail costs. Recommendations involve refining strategies with precise record-keeping, a robust stock plan, and meticulous accounting for an efficient inventory system.

KEYWORDS

Inventory Management, Organizational Efficiency, FIFO, Stock Valuation

1. INTRODUCTION

Automotive Inventory Management extends beyond a mere tally of available inventory. It encompasses the orchestrated arrangement of goods from diverse suppliers. Effective Automotive Inventory Management is pivotal not only for gaining and retaining a competitive edge but also for enhancing the overall performance of a car dealership. Inadequate inventory management can lead to escalated operational costs for any business entity. Its significance pervades various industries due to its role in averting inventory shortages, coordinating multiple locations, and ensuring accurate record-keeping, all of which collectively contribute to proficient inventory management.

The primary objective of inventory management is to minimize inventory costs while ensuring an uninterrupted supply to support the operational needs of the car dealership. Management must strike a balance among different cost elements, including inventory procurement expenses, holding costs, and costs arising from insufficient inventory levels. The ultimate purpose of these research efforts is to uncover latent financial resources linked to inventory management, thereby fostering competitive enhancement and operational efficiency for the car dealership situated in San Pablo City.

The study centers on a car dealership that has stood for over two decades as a prominent vendor of light commercial vehicles in San Pablo City. Organizations attach heightened importance to inventory control, given the substantial investments tied up in inventory. Despite employing methods like bin cards, Excel-based tracking, periodic audits, and comparable approaches for inventory oversight, a persistent discrepancy often arises between realized outcomes and the documented records. This discrepancy renders organizations vulnerable to costs associated with inventory discrepancies, which can impact performance and service delivery.

The central purpose of this investigation is to comprehend the inventory management practices employed by the car dealership in San Pablo City. Moreover, the personnel within the dealership will gain insights into the advantages offered by these identified inventory management practices within the organizational context. The study will elucidate challenges

faced by the dealership when implementing inventory management practices and the implications of these practices on the organization. The findings will be beneficial for the Parts and Sales Department and all administrative support units in refining their inventory management strategies, particularly concerning the monitoring of inventory inflow and outflow. The outcomes will unveil specific trends in inventory management practices, potentially encouraging dealership management to adopt these techniques and, subsequently, ameliorate the organization's performance.

2. REVIEW LITERATURE

Every corporation employs a distinct inventory management system that aids in identifying the optimal stock to be procured at specific intervals, ensuring the availability of commodities to meet customer demand while avoiding excessive inventory or overstock situations. As elucidated by Atnafu and Balda (2018) in their study "Empirical evidence from micro and small enterprises in Ethiopia," effective inventory management is imperative for any entity to achieve heightened customer satisfaction and enhance organizational performance. A subpar inventory management system can detrimentally impact an organization's profitability (Atnafu and Balda, 2018).

The inventory level within an organization's framework carries significant ramifications for its profitability and operational efficiency, as it dictates the occurrences of inventory shortages and surpluses in a commercial setup. This inventory level function serves as an indicator of the rate at which inventory inflows and outflows transpire within the organization's structure (Inegbedion et al., 2019).

As highlighted in Muller (2019), organizations harbor diverse stock categories, encompassing Raw Materials, Finished Products, and Work in Process. These stockpiles assume multifarious roles throughout an organization's lifecycle, underscoring the importance of comprehending them to govern the ebb and flow of inventory items within the facility (Muller, 2019). Various inventory valuation techniques, such as FIFO (first in, first out) and LIFO (last-in, first-out), are also expounded. These methods posit that the most recent additions to inventory are the first to be expended during the accounting cycle (Yadav et al., 2020).

Quick Response Code



Access this article online

Website:
www.jtwe.com.my

DOI:
10.26480/jtwe.02.2023.83.86

Inventory management constitutes a system employed to supervise the movement of goods and services in and out of an establishment. To fulfill the requisites of an organization, it may opt to integrate diverse inventory management methodologies or amalgamate several techniques. Businesses harness these strategies to generate invoices, purchase orders, receipts, and exercise control over inventory-related bookkeeping (Sherrie Scott, 2018).

According to Ogbo and Ukpere (2014), proficient inventory control management stands as a pivotal facet for organizational focus. The adeptness of any enterprise's inventory control management system hinges on its awareness of the attendant benefits. The findings underscore that effective inventory control management bestows manifold advantages, encompassing judicious resource utilization, cost curtailment, enhanced profitability, heightened sales efficacy, waste reduction, transparency, accountability, and more. These benefits necessitate the maintenance of adaptable inventory processes (Ogbo and Ukpere, 2014).

Sound inventory management is instrumental in mitigating the challenges posed by inventory management, with the primary objective being the upkeep of an optimal inventory level. Stock can be susceptible to losses, damages, misuse, and associated augmented expenses. Hence, stringent oversight of stock levels is imperative for organizations (Soorya and Mathew, 2021).

Organizational performance denotes the attainment of an establishment's objectives. Measurable organizational goals are integral for fostering employee engagement and dedication. Various metrics, including financial gains, profitability, and organization-wide indicators, facilitate the evaluation of organizational performance. Effective leadership is also pivotal, as leaders play a critical role in realizing performance benchmarks. Their decisions and strategic implementations are instrumental in accomplishing organizational objectives (Abubakar et al., 2019).

3. METHODS

The study employed a descriptive research design, using quantitative methods for data collection and analysis. The respondents constituted the entire population of the car dealership. In the data analysis phase, the researcher utilized frequency and percentage calculations, which contributed to generating important study data. A questionnaire was administered to the respondents following established academic procedures and methodologies.

Category	Sample Size	Percentage
Top Management	8	12%
Parts and Service Department	21	32%
Sales Department	15	23%
Finance and Admin Department	10	16%
Others	11	17%
Total	65	100%

Table 1 shows that the total population included 65 staff and top management members from the car dealership. 32% of which are from Parts and Service Department, 23% from Sales Department, 17% comes from others, 16% from Finance and Admin Department and lastly 12% from the top management that comprises the heads and managers of the car dealer.

Primary data were collected directly from the car dealership respondents, assumed to possess first-hand information about the study subject.

Secondary data were obtained from sources such as annual reports, journal articles, internet resources, magazines, newspapers, and relevant books related to the study topic. These sources were extensively consulted to extract the necessary information supporting the study's findings from the data provided by the respondents.

4. RESULTS

Inventory Management Practices of a Car Dealer

This study delved into the inventory management practices employed by the automobile dealer. The findings have been meticulously tabulated to display the various categories of stock maintained by the dealer.

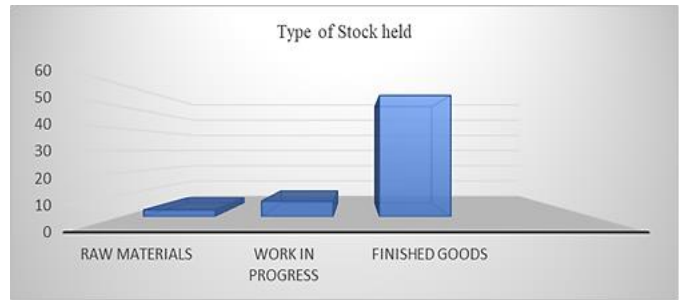


Figure 1: Type of Stock Held

Figure 1 illustrates that the car dealer held Finished Goods Inventory, as indicated by responses from 55 participants. This underscores that finished goods inventory constitutes the organization's primary stock type. In contrast, 7 respondents favored raw materials, while 3 participants opted for work in progress.

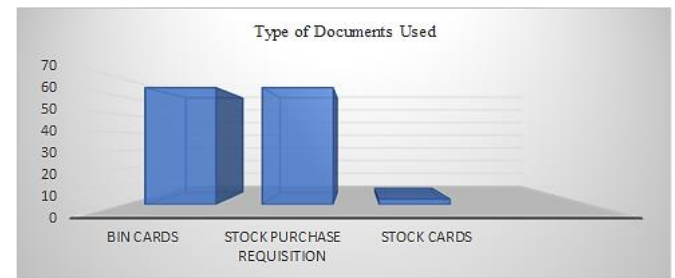


Figure 2: Type of Documents Used

Figure 2 illustrates that the car dealer utilizes bin cards, with responses indicating a full compliance rate of 100%. Similarly, stock purchase requisitions exhibit a comparable 100% adherence. In contrast, the employment of stock cards by the car dealer appears to be sparing. Drawing from these discernments, the researcher ascertains that the automotive dealership employs a judicious array of documentation to diligently oversee and record inventory. This strategic employment of documentation augments the precision of their inventory management protocols significantly.



Figure 3: Techniques of Stores Management

Figure 3 depicts that the automotive dealer exclusively adopted the "just in time" strategy alongside stock valuation as their preferred inventory management methodologies, both of which garnered an impeccable 100% adherence rate.



Figure 4: Types of Inventory Control

Figure 4 shows that most respondents, constituting 78%, identified FIFO (first in, first out) as the predominant inventory control paradigm embraced by the car dealer. In contrast, a minority, comprising 12%, referenced LIFO (last in, last out), whereas an additional 10% attributed the employment of inventory control at the dealership to the practice of physical counting.

Table 2: Inventory Management Practices of the Car Dealer

Inventory Management Practices	Frequency	Percentage	Rank
Accurate and up to date store records	15	23.08%	2 nd
Spot Checks/ Surprise Checks/ Audit of Inventory helps management, of inventory	12	18.46%	3 rd
Proper accounting and recording and store management	18	27.70%	1 st
Good stock plan	10	15.38%	4 th
Inventory Control System	10	15.38%	4 th
TOTAL	65	100%	

Table 2 elucidates that a substantial proportion, specifically 27.70%, of the respondents underscored the paramount significance of adept accounting, meticulous recording, and efficient store management as the prevailing inventory management practices within the car dealership. This illumination further accentuates the intrinsic importance of accurate inventory accounting for the organizational dynamics. In equal measure, the imperative nature of maintaining precise and contemporaneous store records within the car dealership surfaces as a pivotal aspect, profoundly conducive to the facilitation of effective inventory monitoring.

For 23.08% of the respondents, the focal point converged on the precision of recording practices. Following this, the utilization of spot checks, unanticipated audits, and the overarching scrutiny of inventory management emerged as the third-ranking theme, commanding a share of 18.46%. Noteworthy is the placement of a robust stock plan and the operational integration of an Inventory Control System in the denouement, indicative of a substantive albeit concluding facet within the domain of inventory management practices.

Table 3: Benefits of Inventory Management Practices in a Car Dealer

Benefits	Frequency	Percentage	Rank
Inventory Management Practices contribute greatly the performance of car dealers	15	23.07%	2 nd
Inventory Management helps in inventory planning and scheduling	20	30.77%	1 st
Cost Reduction in car dealers	12	18.46%	3 rd
Improve Customer Service	8	12.32%	5 th
Inventory Management helps in store management	10	15.38%	4 th
TOTAL	65	100%	

Table 3 shows that about 30.77% of the respondents emphasized that such practices aid in inventory planning and scheduling, significantly contributing to the performance of car dealerships. The third-ranking

advantage is cost reduction. Moreover, Inventory Management enhances store management and improves customer service.

Table 4: Challenges faced by the Car Dealer

Challenges	Frequency	Percentage	Rank
Loss of Inventories	12	18.46%	3 rd
Poor Evaluation and monitoring hinders inventory management	20	30.77%	1 st
Opportunity Costs & Other Administrative Costs	7	10.77%	5 th
Weak Management Systems in a Car dealer	16	24.62%	2 nd
Un predetermined Customer, Product Demand	10	15.38%	4 th
TOTAL	65%	100%	

Table 4 delineates that a notable proportion, specifically 30.77% of the respondents, highlighted the impediment posed by deficient evaluation and monitoring procedures, resulting in a hindrance to the effectiveness of inventory management. Subsequently, weak management systems garnered a share of 24.62% in terms of identified challenges. The

depletion of inventories emerged prominently as a pivotal predicament faced by the car dealer in their inventory management endeavors. Predetermined uncertainty regarding customer product demand was positioned as the fourth-ranking challenge, with opportunity costs and other administrative expenditures occupying the concluding position.

Table 5: Impacts of Inventory Management Practices in Organizational Efficiency of a Car dealer

Impacts in Organizational Efficiency	Frequency	Percentage	Rank
Increased Customer Satisfaction	6	9.23%	5 th
Better Employee Commitment and Care	20	30.77%	1 st
Improved Sense of Accountability	19	29.24%	2 nd
Leadership Effectiveness	13	20%	3 rd
Organizational Learning and Innovation	7	10.77%	4 th
TOTAL	65	100%	

Table 5 shows that Effective inventory management practices wield substantial influence over the organizational efficiency of the car dealership. The findings gleaned from the study validate the assertion that such practices yield a positive impact on the dealership's overall organizational efficiency. The proficient adoption of inventory management practices engenders heightened employee commitment and attentiveness, a fact corroborated by 20 respondents, accounting for 30.77% of the total participant pool. Additionally, these practices foster an augmented sense of accountability among the workforces. Noteworthy is

the observation that adept inventory management correlates with a 20% augmentation in Leadership Effectiveness, thus amplifying the dealership's holistic organizational efficiency. 10.77% of the respondents affirm that inventory management practices engender Organizational Learning and Innovation, thereby bolstering the dealership's organizational efficiency. Finally, it is salient to acknowledge that effective inventory management practices conduce to heightened levels of customer satisfaction.

5. CONCLUSION

The study's findings underscore the diverse array of inventory management practices adopted by the car dealer. It becomes evident that the most prominently stocked category for the car dealer is Finished Goods Inventory, encompassing merchandise designated for customer sale. Given the dealership's positioning within the retail trade sector, the organization tends to maintain fewer stocks of raw materials and works in progress.

The car dealer is observed to leverage a spectrum of document types in its inventory monitoring efforts, including bin cards, stock purchase requisitions (SPRs), and stock cards. These discernments lead to the conclusion that the car dealer's embrace of a comprehensive documentation framework effectively captures and monitors inventory records, enhancing the precision of inventory management practices. Of significance is the incorporation of both "just in time" strategies and stock valuation techniques within the dealership's store management practices, both of which are pivotal in achieving effective inventory management practices.

The investigation unveils that the car dealer employs a variety of inventory control methodologies. Remarkably, the most prevalent approach identified is the First in First out (FIFO) method, grounded in the principle that the earliest acquired items are the first to be dispensed from parts and vehicle warehouses.

Inventory management, as a linchpin of organizational operations, yields profound ramifications. The maintenance of accurate and up-to-date store records, coupled with rigorous accounting and recording practices, emerges as crucial for cultivating adept inventory management. Complementary to this is the practice of spot checks, surprise audits, and inventory inspections, which collectively subject employees to evaluations of their stock management competence. In turn, this culminates in the formulation of robust stock plans and the implementation of an effective inventory control system.

The instrumental role of efficient and effective inventory management in the sustained operations and viability of car dealerships is irrefutable. The research findings culminate in the deduction that the inventory management system wields a substantive impact on organizational dynamics, translating into augmented employee commitment, heightened accountability, effective leadership, and the fostering of organizational learning and innovation. Additionally, these practices yield increased customer satisfaction. The realization of these outcomes accentuates the significance of elevated levels of effective inventory management practices to secure organizational competitive advantage and elevate the overall organizational efficiency of the car dealer.

RECOMMENDATIONS

In accordance with the findings of the research, the following recommendations are proposed:

- It is advisable for the car dealer to implement a computerized inventory management system to prevent inadvertent errors in their inventory

records. Such a system would introduce a higher degree of accuracy and automation, potentially streamlining the inventory management process.

- The continuation of the employment of the FIFO (First in, First Out) method is recommended. This approach not only aligns with conventional inventory practices but also ensures that older inventory items are utilized before newer ones, contributing to efficient inventory turnover, and potentially minimizing wastage.
- Moreover, it is suggested that future research endeavors delve into the multifaceted role played by computerized systems in augmenting the overall effectiveness of inventory management practices. This proposed investigation could shed light on the integration, benefits, and challenges associated with computerized inventory management systems within the context of the car dealership's operations.

REFERENCES

- Abubakar, A. M., Elrehail, H., Alatailat, M. A., and Elçi, A., 2019. Knowledge management, decision-making style, and organizational performance. *Journal of Innovation and Knowledge*, 4(2), Pp. 104-114.
- Atnafu, D., and Balda, A., 2018. The impact of inventory management practice on firms' competitiveness and organizational performance: Empirical evidence from micro and small enterprises in Ethiopia. *Cogent Business and Management*, 5(1), 1503219.
- Inegbedion, H., Eze, S. C., Asaleye, A. J., and Lawal, A. I., 2019. Inventory management and organisational efficiency. *The Journal of Social Sciences Research*, 5(3), Pp. 756-763.
- Muller, M., 2019. *Essentials of inventory management*. HarperCollins Leadership.
- Ogbo, A. I., and Ukpere, W. I., 2014. The impact of effective inventory control management on organisational performance: A study of 7up bottling company nile mile enugu, Nigeria. *Mediterranean Journal of Social Sciences*, 5(10), Pp. 109.
- Soorya, D. B., and Mathew, L. S., 2021. A Study on the Impact of Inventory Control on Enhancing Organizational Efficiency of Travancore Titanium Products Limited. *Asian Journal of Economics, Finance and Management*, Pp. 290-299.
- Scott, S., 2018. Top Ten Ways to Manage Inventory Small Business Managing Employees Managers by Sherrie Scott Updated June 29, <https://smallbusiness.chron.com/top-ten-ways-manage-inventory-11099.html>.
- Yadav, A. S., Abid, M. O. H. A. M. M. E. D., Bansal, S. H. I. K. H. A., Tyagi, S. L., and Kumar, T. A. N. U. J., 2020. FIFO and LIFO in green supply chain inventory model of hazardous substance components industry with storage using simulated annealing. *Advances in Mathematics: Scientific Journal*, 9(7), Pp. 5127-5132.

