Professional inventory management affects an organization's operations

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Abstract: In conducting business, trading activities are one that helps promote and stimulate economic growth from the community level of the country. to the world level, with the 'Warehouse' acting as one of the drivers and creating balance in the supply chain or the production management process to create products or services in terms of both storage locations Raw materials for use in production (Raw Material) Finished products are waiting to be sent to customers, so having a warehouse helps reduce the problem of not having enough raw materials to produce. This allows production to proceed continuously. and can deliver products on time If there is better inventory management, it will help in saving logistics costs. It creates liquidity and returns on investment in a short time. Warehouses and warehouse management are considered important tools that will make the trading business achieve its objectives.

This article is an academic article intended to study knowledge about the concept. Research theory of inventory management services and to propose a management concept. This article therefore presents concepts related to effective inventory management. Inventory management has been found to influence financial performance and Organizational performance.

Keywords: Professional Inventory management, financial performance, Organizational performance

1. Introduction

The entire manufacturing business, from the extraction of raw materials through production at various stages in the supply chain to the end customers, has witnessed a rising need for efficient behavior due to increased competition and reduced profit margins. (Theenaphong (2022). The whole chain is affected, and both production actors and service providers in the transport industry are thus facing a more challenging situation than just a few decades ago. In this situation, many companies have been forced to change their focus from optimizing its own business to plan for the benefit of the whole chain. Thus, we experience that the competition today is rather between supply chains than between autonomous actors in the supply chain. This has resulted in an increased collaboration between actors within a chain. Some of the companies, who earlier negotiated about prices and tariffs, are today sharing information in order to enhance overall performance. Supply chain management is a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses and stores, so that merchandise is produced and distributed at the right quantities, to the right location, and at the right time, in order to minimize system-wide costs while satisfying service level requirements. (Rushton, A, et, al 2008). This involves a set of management activities like purchasing, inventory control, production, sales and distribution. The overall goal of supply chain management is to integrate organizational units and coordinate flows of material, information and money so that the competitiveness of the supply chain is improved. Normally the production facilities are found in the beginning of the supply chain, while the consumption facilities exist in the last part of the chain.

Inventory management It is important to the organization as follows:

1. Use data to analyze the market and plan strategies.
When the organization knows which products sell well at what time. Which group of people do you like? This

allows the organization to analyze customer behavior. To plan strategies to respond to customer needs, present products and organize promotions in line with the time period. And the season too

2. Organizations can see an accurate overview of their warehouse.
Systematic warehouse management of how many products there are in total How and when there is entry and exit, allowing the organization to inspect, control, and prevent products from being lost, damaged, or damaged. Moreover, the organization knows how much demand there is for each type of product. How quickly does it run out should I increase product stock, because if there are not enough products to sell, it will result in losing business opportunities, and if we look back, we have too much inventory in stock that we cannot sell, which will also result in a loss.

3. Reduced expenses lead to increased profits. Business has more liquidity.
If the warehouse is managed efficiently This will make it possible to plan the budget. How much product should you purchase have more power to negotiate prices. Including being able to calculate costs in order to set the selling price appropriately, worth the profit. Moreover, it is possible to manage which products should be discharged first. To cause problems with leftover and expired products that have not yet been sold.

4. Helps to continuously plan, control and maintain the level of use of various resources in order to provide services under cost efficiency that is worth the investment.

5. It increases the channel for storing products in many ways. and can expand the market to deliver products to customers more quickly without having to invest in opening additional branches.

6. It is a standard. You will be the one to set the conditions for depositing the products. How many days do you want to store the products Do you want to pack products for delivery to customers? It is also easy to control. Because you can check the product at any time.

7. Helps reduce product storage costs. and can check the organization's product storage situation

8. Helps create satisfaction in daily work for those involved. in moving goods both incoming and outgoing Using the quantity from purchasing and the need for delivery to customers is the criterion.

9. Able to continuously plan, control and maintain the level of use of various resources in order to provide services under cost efficiency that is worth the investment according to Required business size. (Edward A.et al.,2017)

Warehouses are therefore important in that they are both the entrance and exit point for raw materials to finished goods. Therefore, it is necessary to understand the procurement of raw materials/products (Supply)

Overall, this study concludes the importance of effective inventory management is therefore important.

Financial efficiency and impact on sustainable organizational performance. (Olynk &Widmar, 2008: 1; Karatop, Kubat, & Uygun, 2015: 129; Ariss, Cascio, & Paauwe, 2014: 174; Khilji et al., 2015: 245,173-179; Sahai & Srivastava, 2012; Vural, Vardarlier, & Aykir, 2012)

2. Literature Review

Inventory Management

Inventory include raw materials. equipment, labor, and resources that are not used by the organization (Jacobs & Chase, 2011: 5) Classified according to the production process steps, divided into 4 groups: (1) raw materials, which are things All parts or goods ordered for use in production (2) semi-finished goods or during work (work in process: WIP) It is a part that has gone through some production processes. and are stored waiting to enter the next production process. (3) Consumables Used for maintenance Repair and work (maintenance/repair and operating: MRO) such as spare parts and (4) finished goods (finished goods) are products that are ready for sale (Max Muller, 2011: 1; Kachwala & Mukherjee, 2009: 251) Where Jeroen (2007: 60) supported that Inventory management is related. Linked to activities and product flow routes in the warehouse, consisting of 5 activities: (1) receiving products (receiving) (2) moving products (put away) (3) replenishing products (replenish) (4) Picking up products (picking) and (5) shipping products (shipping)

Table 1. Research on theoretical concepts regarding inventory management

Academic (year)	Meaning/Definition Inventory management
Jutathip Leelathanapipat and Teerawat Chanthuk (2018)	Inventory management means managing from upstream to downstream, starting with the method of receiving raw materials. Moving raw materials for storage Picking up raw materials to go through the production process to produce finished products and deliver them to other departments. or customers to achieve efficiency and effectiveness
Genevieve (2017)	Utilization of inventory management systems has a positive influence on the implementation and quality of inventory management systems. And inventory management is influential in reducing costs which leads to increasing profits.
Vipulesh Shardeo (2015)	Inventory control is essential for companies in developing countries like India. Companies must have better inventory control techniques for a healthy financial position. Inventory management is a control management technique. and develop Different inventory levels such as raw materials, semi-finished goods and finished goods. To ensure a consistent supply of resources at minimum cost. And the use of automation in inventory management can have a huge impact on many areas. In inventory management, such as accounting, auditing, inventory retrieval and forecasting and inventory demand management.
Deveshwar and Dhawal (2013)	Inventory management is how companies It is used to organize, store and change inventory in order to have enough products and help reduce costs at the same time. Therefore, every organization must plan effective inventory management. To be suitable for the conditions of the economy and society that are changing rapidly in today's era and there is quite high competition.
Phiphob Lalitaporn (2009)	Impact Inventory management (Inventory management) means responsibility for planning. Inventory control from raw materials Until it is produced as a finished product, which inventory must be considered from production planning. Inventory management (Inventory management) means responsibility for planning. Inventory control from raw materials Until it is produced as a finished product, which inventory must be considered from production planning.

The results of the above literature review regarding the definition of the term "Inventory management" found that Vipulesh Shardeo, (2015) Impact of inventory management on company performance. It can be concluded that the inventory turnover ratio is related to the company's net profit. JSW Steel's inventory turnover ratio is better than the other two companies, while Tata has the highest asset turnover ratio of more than two companies. That is, TATA Steel leverages assets efficiently but the inventory turnover ratio decreased. Due to poor inventory management, TATA Steel concluded that Different inventory management practices will have an impact on a company's financial position.

Zbigniew Golas, Anna Bieniasz (2016) Empirical analysis of the influence of inventory management on financial performance in the food industry in Poland. Research proves that the effectiveness of inventory management as measured by the duration of the inventory cycle varies greatly across the branch systems of the food industry.

Financial Performance

Laura A. Orobia and Joweria Nakibuuka, Juma Bananuka, Richard Akisimire (2020) Inventory Management ability and the financial performance of small businesses. Inventory management and manageability are related to small business financial performance. In addition, inventory management partially mediates the relationship between manageability and financial performance.

Amahalu Nestor Ndubuis, Ezechukwu Beatrice, Egolum Priscilla Uche, Obi Juliet Chinyere (2018) Inventory management and financial performance: evidence from breweries companies listed on the Nigerian Stock Exchange. Summary of findings: 1) Inventory conversion period has a significant positive relationship with ROA of Nigerian brewers at the 5% significance level. 2) Inventory conversion period has a significant positive relationship with ROA of Nigerian breweries at the 5% significance level. It is significant with FG of the Nigerian bidding brewery companies at the 5% significance level. 3) Inventory conversion period has a positive but insignificant relationship with the ROE of the Nigerian bidding brewery companies.

Zbigniew Golas, Anna Bieniasz (2016) Empirical analysis of the influence of inventory management on financial performance in the food industry in Poland. Research proves that the effectiveness of inventory management as measured by the duration of the inventory cycle varies greatly among the branch systems of the food industry. However, in general in 2005-2010 The inventory cycle is significantly reduced. This indicates a higher efficiency in managing those assets. Moreover, based on the regression model, Improvements in inventory management efficiency as measured by the length of total inventory cycles and discontinuous cycles were found to be positively related to profitability. The results presented here are the first systematic analysis of the relationship between the results of inventory management and financial performance in the food industry in Poland.

Organizational Performance

Inventory management ability of management affects the financial performance of the business, that is, management ability helps improve and develop inventory management. This is considered to be an important factor in conducting business under intense competition in the present and in the future with rapid changes. both in terms of technology and various environments in the world Therefore, different managerial capabilities affect the operations and financial performance of a business. Laura A. Orobia Joweria Nakibuuka, Juma Bananuka and Richard Akisimire (2020)

Concept of Balance Scorecard (BSC) The concept of Balance Scorecard (BSC) is a concept that was initiated and developed in 1990 by Professor Robert Kaplan & Dr. David Norton (Kina et al.., 2003., Chang & Ku, 2009, Alonso et a, 2009) which has been studied and surveyed about the causes of the stock market in the United States faced a crisis in 1987, with the results of the study finding that Most executives prefer to use financial performance measures as the main basis for evaluating performance. This may cause incorrect understanding of business operations under a fierce competitive environment. Kaplan & Norton Therefore, the concept of performance measurement has been presented that the organization should consider indicators from 4 perspectives, namely the financial perspective (Financial Perspective), the customer perspective (Customer Perspective), the internal process perspective (Internal Business Perspective) and the perspective Learning and Growth Perspective Later, Kaplan & Norton wrote the article "The Balanced Scorecard Measures that Drive Performance" and it was published in the Harvard Business Review journal in 1992, presenting the concept of measuring organizational performance as a tool. in evaluating performance, it not only measures financial performance (Financial Perspectives) but also covers non-financial performance measurement (Non-Financial Perspectives). Perspectives) such as customer satisfaction internal business processes innovation and learning, etc. (Kaplan & Norton, 1992, Kaplan & Norton, 1996., Kim et al., 2003., Chang Ku, 2009) from then on, the balanced scorecard concept is therefore popular and widely used in businesses and is a successful tool for measuring performance (Yang, Cheng & Yang, 2005).

3. Result

From the researcher having reviewed the literature regarding professional inventory management, The researcher can use it to create a research concept framework as follows.

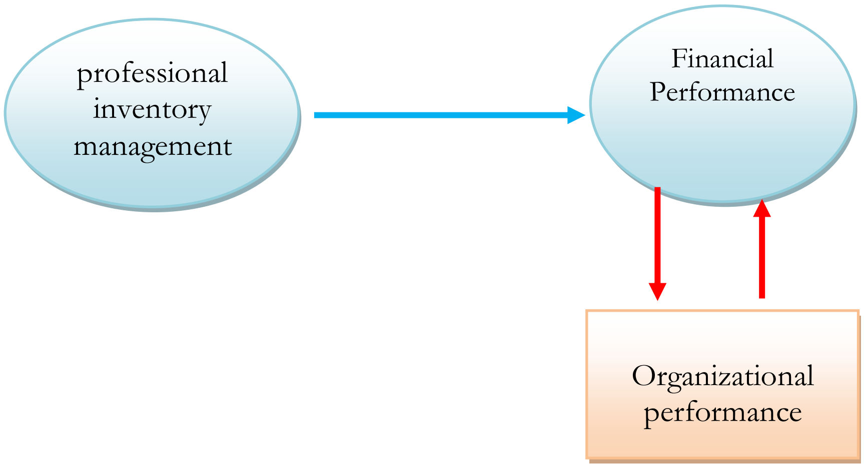

Figure 1: Research concept framework
Source: Researcher 2023

From the above conceptual framework, it is found that professional inventory management affects financial performance Therefore, having a strategy in good inventory management will raise standards in business processes. to cope with Conditions of trade competition Able to meet customer needs as high as possible Help create Trust your customers and your business image. Especially for SME businesses, entrepreneurs need to Adjust inventory management strategies to deal with Conditions of trade competition Able to meet customer needs as high as possible help create Trust your customers and your business image. Especially for SME businesses, entrepreneurs need to Adjust inventory management strategies, where warehouses are the most important in the logistics system. Warehouse management can create balance in the supply chain. By preventing the uncertainty of Purchasing process It also brings many benefits (Sunanta Siricharoenwat, 2012; Sunantha Ananchaisap and Chumpol Montha Thipkul, 2021).

4. Discussion

The main objective of this academic article is only to provide a basis for creating a professional inventory management framework that affects the financial and operational performance of an organization for future research, it is still necessary to apply the conceptual framework to empirical studies to test the relationships among the variables. This will increase knowledge and add guidelines that can benefit inventory management in the future.

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