

PENTECOSTAL THEOLOGICAL SEMINARY

**AN ASSIGNMENT
FOR SESSION 5 ESSAY**

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SESSION - 5

KEEPING INVENTORY

According to Mr. Edwin C. Thomas “Appreciative inquiry (AI) is a positive way to embrace organizational change based on a simple assumption: Every organization has something that works right—things that give life when it most alive, effective, successful, and connected in healthy ways to its stakeholders and communities. AI -begins by identifying what is positive and connecting to it in ways that heighten energy and vision for change”.¹

The Importance of Keeping Inventory

A properly organized inventory can mean the difference between knowing what you have in stock and having to check every time you need to find something. Here are some reasons why proper inventory organization is important to running a successful, profitable business.

Knowing your stock

First and foremost, inventory organization provides you with information on what you do and do not have in stock. For sales inventory, this means that you have much less trouble finding what a customer wants quickly. For a supply inventory, this lets you know when you need to replenish supplies. As a result, you do not run out of supplies before you restock them and you avoid interruption of service because of missing supplies.

¹ Edwin C. Thomas - *Appreciative Inquiry: A Positive Approach to Change* – Pg -2

Knowing what sells best

Inventory organization also gives you a better idea regarding which of your products sell the most. Consequently, you know to buy more of that product because it sells well. In addition, it means that you are aware of which products sell marginally so you know not to include them in your stock at all or only keep a minimum of stock on hand.

Projecting sales and expenses

Furthermore, proper inventory organization allows for better sales and expense projections. With sufficient data, you can predict the kinds of profits and expenses to expect based on the stock you have. Adequate organization of stock can provide yearly, monthly, weekly or even daily information about how your stock moves. You can use this information to articulate your company's projected success to investors.

Keeping an organized inventory offers many advantages to help you run a successful and profitable company with greater ease.²

Management

Managing your inventory in a cost-efficient way helps you optimize your profits. This begins with negotiating the lowest costs with your suppliers. Buying in volume or committing to suppliers in long-term relationships can help with this. Managing inventory once you have it is vital as well. If you order too much inventory, you have to pay more money for employees to organize it and manage it. You have more expenses for storage areas where you hold it. You also

² <http://www.protagsystems.com/the-importance-of-inventory-organization>

risk waste on expired or rotted items. Having too little inventory can lead to stock-outs, which is bad for customer service.

Turnover

Turning over inventory efficiently is also important. Calculating your inventory turnover ratio allows you to see how efficiently you sell through your inventory. The formula is costs of goods sold divided by your average inventory level for a given period. A high turnover rate means you get products off the shelf while they have maximum value to customers. You also make room for newer merchandise while it's trendy or in demand. A lower turnover ratio leads to higher management costs and more waste. It also forces you to have more sales promotions to clear out excess products.

Just-in-Time

A common approach to inventory management in the latter 20th and early 21st centuries is just-in-time or JIT inventory. This is a technology-driven method intended to keep your inventory at ideal levels where you have enough on hand to cover customer demand, but not too much to lead to high costs. To use JIT, you need strong relationships with key suppliers so you can integrate your inventory data through shared software databases. This allows for automated ordering so suppliers can quickly get new inventory out to your distribution center or stores as needed.³

³ <http://yourbusiness.azcentral.com/inventory-important-business-2957.html>