

# **THE RELATIONSHIP BETWEEN INVENTORY MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE OF MANUFACTURING COMPANIES IN SRI LANKA**

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In current context manufacturing firms use various techniques to manage their inventories. Past literature reveals the practices adopted by the companies have a significant impact on organizational performances. Most of manufacturing companies which use proper inventory management practices have shown great performance. Inventory management practices are differ from one company to another because of the size of the industry, economic stability of the place, infrastructural facilities available, transportation network and many more which are called constraints.

The purpose of this study is to identify whether there is any significant relationship between inventory management and the organizational performance of manufacturing companies in Sri Lanka. The study will be conducted by analyzing to which extend the companies are applying EQO, JIT, ERP practices to manage their inventory. The sample consists with twenty five (25) listed manufacturing companies in Sri Lanka from the period 2009-2014. Data will collect through both primary and secondary sources. To examine the applications of inventory management practices, structured and semi structured questionnaires will be used and to examine the organizational performance audited annual reports will be analyzed. The relationship between inventory management variables and organizational performance variables (Return on Assets-ROA & Return on Sales-ROS) will be tested by using descriptive statistics. Magnitude of the relationship will be measured by using correlation. The importance of the study is to provide a proper understanding to the management of manufacturing companies about how they should manage their inventory for an excellent organizational performance.

**Key words:** Inventory Management, Organizational Performance, ROA, ROS, Manufacturing firms