

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

This research work is titled the Effect of Materials Management on resource Utilization in Organization. A case study of 7up Bottling Company PLc Kaduna.

Arnold (1998) said that the wealth of any country is measured by its Gross National Product i.e the output of goods and services produced by the nation in a given time. He further defined materials as those physical objects i.e something we can touch, feel or see. Services are the performance of some useful function such as banking, medical care restaurants, clothing stores, or social services. But that the source of wealth of any country is measured by the amount of goods and services produced. A production process is needed to transform our resources into useful goods. Production takes place in all forms of transformation such as the transformation of resources to manufacture useful products.

There are many stages between the extraction of resource materials and the final consumer product. At each stage in the development of the final product, value is added. Thus, creating more wealth. Japan is a prime example of this, it has very few national resources and buys most of the raw materials it needs. However, the Japanese have developed one of the wealthiest economy in the world by transforming the raw materials they purchased and add value to them through manufacturing. To get value out of our resources, we must design production process that will make products most efficiently. Once the process exist, we need to manage their operation so they produce goods more economically. Managing the operation means planning for and controlling the resources used in the process such as labour, capital, equipment and materials. They are all important but the management plans through effective flow of materials. The flow of materials controls the performance of the process. if the right materials in the right quantity are not available at the right time, the profitability and even existence of a company, will be threatened.

Stevenson (1993) defined materials as all physical items used during production process. they includes not only the parts and raw materials that becomes the finished goods, but also the physical items needed to support the production process such as fuel, lubricants, tools, machinery, forms and anything else that is purchased, moved, stored or shipped.

Follet (2001) defined management as the act of getting things done through people by planning, organizing, directing, coordinating and controlling.

Stevenson (1993) defined materials management as the activity that is concerned with purchasing, storing, and movement of materials during production and with the distribution of finished goods.

George (1993) said that, materials management is an aspect of industrial management which is concerned with all activities that may include production control, inventory, purchasing, expenditure, traffic, materials handling, welfare, receiving, shopping, scrap and surplus, disposition and customer services.

Billington (1995) defined materials management as the process by which goods and services that an organization needs to achieve its objectives of buying, storage and movement of materials are required.

Lyson (1996) defined materials management as the management process which integrates the flow of supplies into, through and out of an organization to achieve a level of services that ensures that the right materials are available at the right place at the right time, at the right quantity, right quality and at the right

cost.

Arnold (1998) said materials management is a coordinating function responsible for planning and controlling materials flow, in order to maximize the use of the formed resources and also provide the required level of customer services.

Iornum (2007) defined materials management as an integrated management approach to the planning, purchasing ware housing, storekeeping, allocation and movement of needed materials from one place to another. He further said that its also, the management of goods and materials that involves purchasing, storage, control and transportation.

Knod (2008) defined materials management to incorporate a broad set of activities related to acquiring, moving or handling, storage and control or monitoring of materials, thus, purchasing, distribution and other supply-chain management duties could be included.

1.2 STATEMENT OF THE PROBLEMS

This research work focuses on the Effect of Materials Management on Resource Utilization in organization. Using seven up bottling company Plc Kaduna as a case study.

Most organizations lays little emphasis on the need to adopt effective materials management techniques in their firms. This has resulted to high level of store insecurity, high cost of production and high level of customers dissatisfaction. Hence, it is because of this phenomenon that this study tries to examine the effect of material management on resource utilization in organization.

The study examines the following problems:

Does materials management affects the utilization of resources in seven-up bottling company plc Kaduna

Does materials management affect the profitability of organizations

1.3 OBJECTIVE OF THE STUDY

i. To determine the effect of materials management on resource utilization in seven –up bottling company plc Kaduna

ii. To determine various materials management problems facing organizations.

To ascertain and analyzed the various ways by which effective materials management technique can impact on the firm's profitability.

1.4 STATEMENT OF HYPOTHESIS

The following hypothesis will guide this study

Ho: There is no significant relationship between materials management and resource utilization on production organization

H1: There is significant relationship between materials management and resource utilization in production organization.

1.5 SIGNIFICANCE OF THE STUDY

The researcher believes that the outcome of this study will be useful to both management and employees of process and manufacturing organizations in the country.

It will also be important and useful to other industrialists and services rendering organizations at large.

The findings of this study will provide useful information to production and operations officers, students and researchers. Thus, the main significance of this study, is for the partial fulfillment of the requirement for the award of Higher National Diploma (HND) in production and operations management and to increase the researchers knowledge and understanding on the subject matter.

The research will also serve as a reference point for further related research studies.

1.6 SCOPE OF THE STUDY

Due to the wide nature of the topic and the nature of the organization used as a case study, this research work was limited to only seven-up bottling company plc. Kaduna particularly, the store department of the organization. Thus, the study sourced primary data from the staffs in the store department of the organization. Also, the study will consider relevant related literatures to provide the appropriate conceptual base for the study.

1.8 HISTORICAL BACKGROUND OF THE CASE STUDY

Seven –up Bottling Company Plc is one of Nigeria’s leading carbonated soft drink (CSD) manufacturers was founded by Mi”. Mohammed El-Khalil, a Lebanese, in the year 1959. The Company commenced operation on October 1, 1960, which coincided with Nigeria’s Independence day, with just one plant in Ijora-Lagos (now the administrative head office). Records showed that on that same day, a total of 14 cases of seven-up flavour were produced.

The company was quoted in the Nigerian Stock Exchange and went public in 1984. Through hard work and determination, the company has been able to expand its plants and distribution networks to all parts of the country, its greatest period of growth actually started in the early 80’s with the opening of Ibadan plant (1980), Ikeia plant in 1981, Kano plant in 1985 and Aba plan in 1989. The acquisition of John Holt soft drinks brought Kaduna plant to limelight in late 1989. The company later opened Benin plant in 1996, Ilorin plant in 2000 and Enugu plant in 2002.

The company’s vision statement is “To be the most admired and innovative company in Nigeria by the year 2012”.

The mission statement is “To refresh and inspire a youthful lifestyle”.

The Company produces 7-up, Pepsi, Mirinda orange, mirinda soda, mirinda lemon, mirinda fruity, mirinda tonic and teem lemonade. As at today, the company has its head quarter in Beirut and operational based in three African countries namely, Nigeria, Tanzania and Ghana.

The activities of the Kaduna plant is headed by the General manager and coordinated under five major sections namely:

Operations Department: This can be seen as the largest unit in the organization. Headed by the factory manager, it encompasses three departments: Quality control, production and engineering.

Administrative Department: This department handles all administrative matters. It encompasses the following departments; accounts, Human resources, computer (Management Information system or MIS).

Marketing Department: This department is charged with the responsibilities of managing sales, distribution, merchandising and product warehousing. It also handles marketing issues of both the plant and its depots. It encompasses the following departments: marketing, sales, and depots.

Fleet Department: This handles the repairs of plant. Sales, distribution and merchandising vehicles. It is headed by the transport engineers and also handles the transport department.

Inventory Department: This department handles the aspect of plant material inventory. It encompasses the stores and warehouse departments and is headed by the inventory manager.

1.9 DEFINITION OF TERMS

Raw Materials: These are items which are to be process through production process to obtain the desired finish product.

Management: It is the scientific utilization of resources which includes, materials, machines, method, money and men to accomplish a task. Its embrace planning, organizing, directing and controlling.

Materials management: it is concerned with the flows of materials to and from manufacturing department, it can be described as a coordinating function responsible for planning and controlling of materials flow.

Materials management is an aspect of grouping together under some of finished products, some of these activities may include; purchasing, inventory control, expenditure, warehousing and receiving materials.

Resources: resources are divided into human and materials resources, the human resources is the manpower that controls the activities of the organization while material resources are the assets or wealth of the organization that is put into use in achieving the organizational aim.

Organization: This is a systematic ordering of position which determines chains of command or it is an organized group of people working together towards a common ideal and aspiration of the group and putting effort together towards achieving an objective

Utilization: To make the best use of resources effectively.

Store: This is a place where raw materials and finished goods are kept.

Production: This is the transformation process in which raw materials are converted into finished goods that gives satisfaction to the final consumer.

Control: This is ensuring that things are been carried out with the plan which has to be adopted, the orders which has been given and the laid down principles.

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